

Public Utilities

FORTNIGHTLY

Volume XLVIII No. 1



July 5, 1951

INDUSTRY'S COMMON DEFENSE AGAINST INFLATION

By James E. Shelton

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Co-ordinating Federal, State, and Local Hydroelectric Development

By Roy A. Wehe

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Interstate Compact Development of River Basins

By J. Louis Donnelly

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Man Power—The Industry's No. One Problem

By Charles Furcolowe

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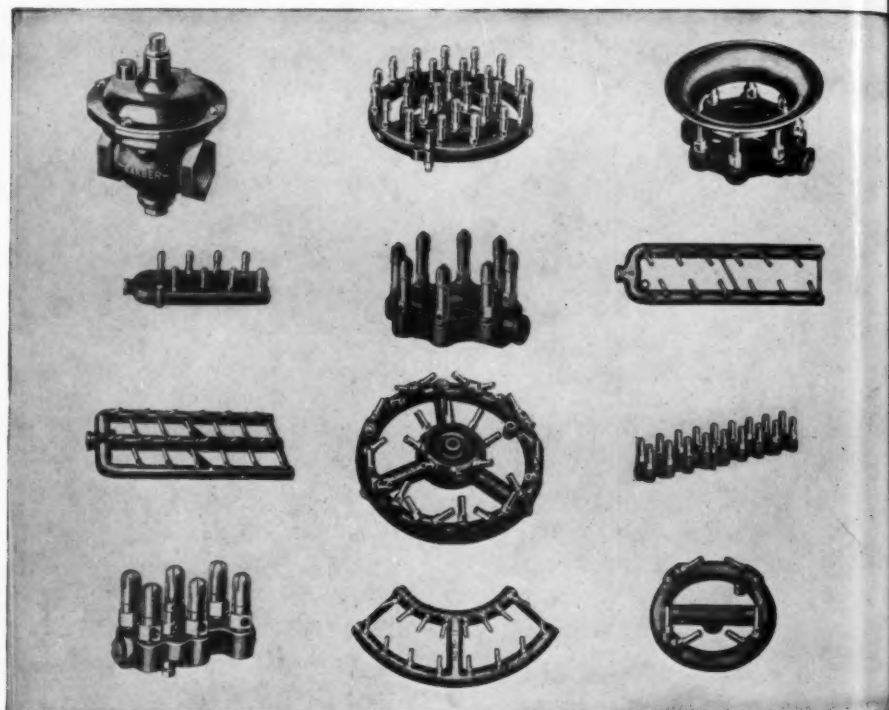
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Public Utilities

FORTNIGHTLY

VOLUME XLVIII

JULY 5, 1951

NUMBER 1



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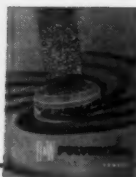
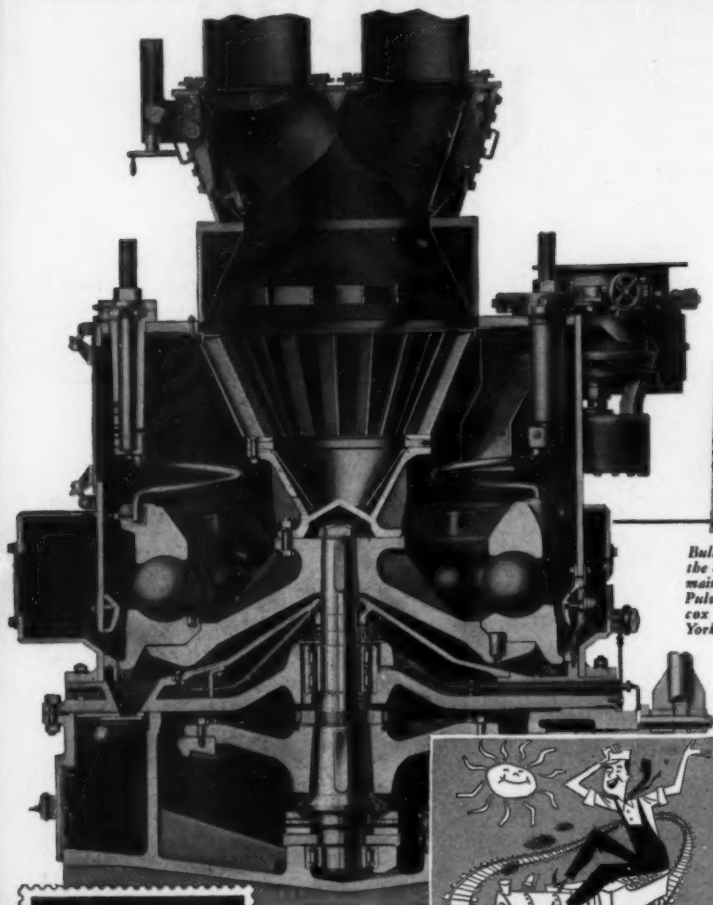
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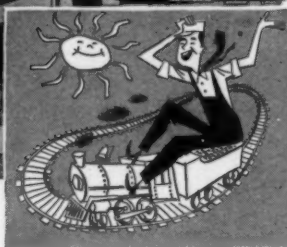
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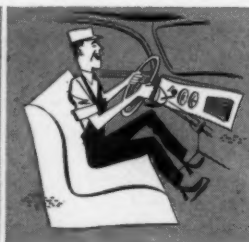
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Pages with the Editors

ALTHOUGH inflation is certainly no longer a laughing matter, it is a wholesome sign that we still have managed to preserve basic liberties in this country, when government policies to combat inflation can be lampooned. What we have in mind is the recent edition of the *Bawl Street Journal*, the annual satirical publication of the Bond Club of New York, which irreverently apes the dignified *Wall Street Journal* with all sorts of fantastic digs and jokes at the expense of all walks of American life.

BUT we noted that many of the items in the current effort of this spritely annual had to do with inflation. For example, we are told that the Dollar Savings Bank has changed its name to the Half Dollar Savings Bank, to keep up with the times. We are informed that Commercial Archives, Inc., declines to store dollars against atomic attack on grounds that its steel vaults must be used solely for things of value. One of the nationally known Washington letter services makes a special \$3 offer, with tongue in cheek, for a trial subscription, promising that if "inflation really takes hold,



JAMES E. SHELTON

you'll make a nice profit selling the eighteen copies as waste paper."

IT goes without saying that public utilities would be even more vulnerable than average nonregulated industry, if inflation should really get out of hand. And there are those who say it is already out of hand. Telephone companies have had to come back to regulatory authorities for third and fourth helpings of rate increases. Transit companies, confronted with an economic ceiling and rising wage rates, are in even more precarious circumstances. Some gas companies are beginning their second round, and the long drop of electric rates, extending back for decades, has finally struck bottom and definitely turned up.

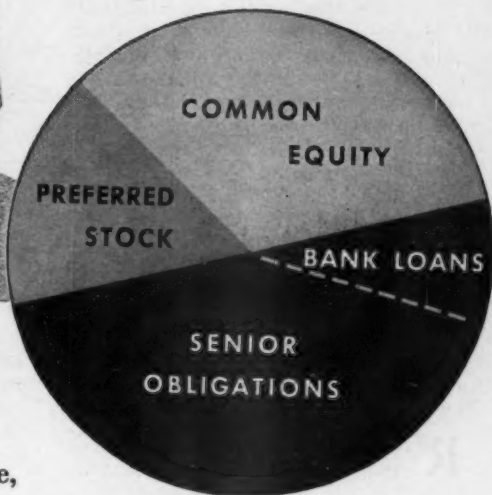
EVEN assuming that regulatory commissions are willing and able to extend the necessary rate relief to keep utilities abreast of rising operating expenses, what will be the effect of the present skyrocketing prices for new plant construction at this time in the regulatory pattern of the future? Will the original cost advocates once more reverse their position? The electric industry, for example, was recently told it had to raise an addi-



ROY A. WEHE

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... have you reviewed it lately?



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tional \$7 billion for new plant within the next couple of years. Under current high construction prices, that will mean an elevated rate base for years to come, on the new plant.

THE first article in this issue is a broad analysis of this entire inflation picture, from an author eminently well qualified to speak. JAMES E. SHELTON, president of the American Bankers Association and president of the Security-First National Bank of Los Angeles, is a native of California. He graduated from Stanford University (AB) in 1910 and took a law degree (JD) in 1912. After some private practice, Mr. SHELTON became a trust officer of the Security-First National Bank of Los Angeles in 1919 and after successive promotions was elected president of the bank in 1946. He has been active in both state and national banking civic, and fraternal circles.

* * * *

ROY A. WEHE, whose article on the coordination of Federal, state, and local hydroelectric development begins on page 12, is an electrical engineering graduate of the University of North Dakota ('18) and Massachusetts Institute of Technology ('21) (engineering administration). He saw service with the Navy during World War I, graduating from the U. S. Navy Marine Engineering School, Stevens Institute of Technology, in 1918. He has had a full quarter-century of regulatory experience with the California Public Utilities Commission, handling various engineering phases and becoming assistant director of the public utilities department. For the last three years he has been engaged in consulting work in utility economics.

* * * *

WITH the draft eating up man power in every line of industrial enterprise, those industries requiring specialized training, such as public utilities, are confronted with a serious challenge. CHARLES FURCOLOWE, veteran business magazine editor and professional writer, endeavors (in his article beginning on page 32) to formulate some practical advice on how industry can meet this problem. He is a graduate of Yale University (BA, '33; LLB, '36). He is former man-

JULY 5, 1951



CHARLES FURCOLOWE

aging editor of *Forbes Magazine* and a frequent contributor to various financial and business publications. He has just completed a book on health, entitled *This Will Kill You* (Forbes), dealing with the health of businessmen.

* * * *

SPECIALISTS with whom we, as magazine editors must deal, come and go, and their passing always leaves us with a sense of loss—regulators, writers, executives, and others. Recently we had the sad occasion to miss a longtime friend who filled all of these classifications. He was Charles E. Neil, assistant to the president of North American Company, who suddenly left us in New York on June 15th. Born in Ohio, and educated in Denver, "Ted," as he was generally known to his many friends, was a rate expert with the original Colorado commission, beginning in 1914. He became editor for the old *Rate Research* magazine of the National Electric Light Association in 1920, and joined the North American organization in 1924. He had since contributed numerous papers to business trade journals for the railroad, gas, electric, and transit industries.

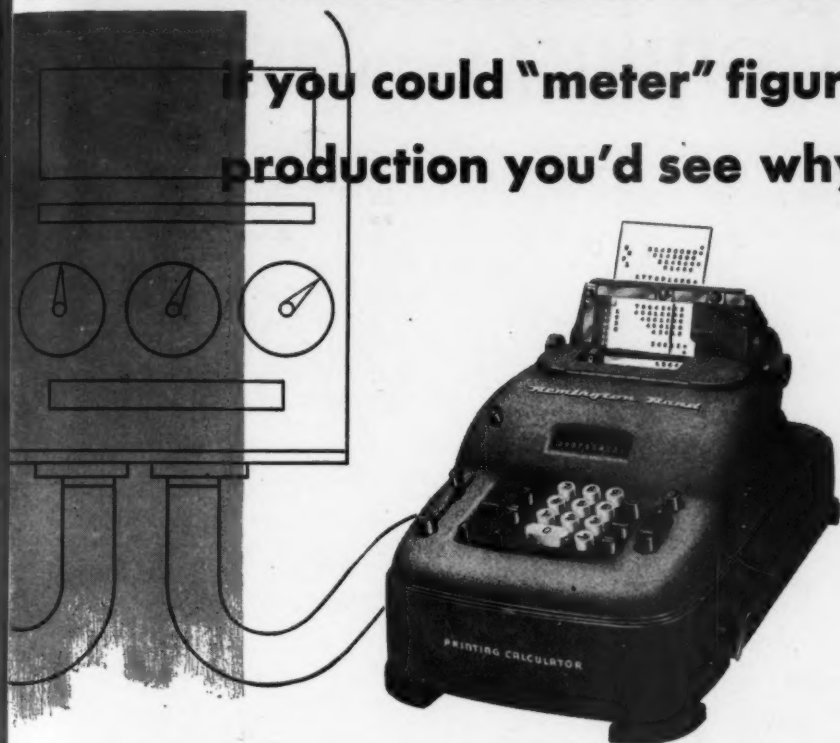
THE next number of this magazine will be out July 19th.



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THE HIDDEN GOLD IN MUNICIPAL PLANTS

An amusing but thought-provoking discussion of economic prerogatives which municipal plants have because of their exemption from regulation, taxation, and other controls. With tongue in cheek, the author, J. Carl Poindexter, economics professor at the University of Virginia, points the way to new riches for municipal treasuries if they want to go all the way on taking full advantage of legal license. The author bases his analysis on Virginia law, but the pattern is similar in most other states.

PEOPLE WILL LISTEN

Developing channels of communication is viewed as the crux of the problem of better industrial relations. How to use the intermediate superior and other original approaches to a better understanding between employer and employee is explored in this readable commentary by John E. Boulet, who handles employee communications for the Mississippi Valley Public Service Company.

IVORY TOWER—HUCKSTER HOOKUP

Why is it that utility lawyers, engineers, accountants, executives, etc., can talk the same language over the luncheon table and get along famously, yet they often freeze into a lot of watertight compartments of misunderstanding, when they deal with each other through technical or formal channels? Striking a common denominator of good fellowship and agreement is the challenging question which the well-known business writer, James H. Collins, answers in his own inimitable style.

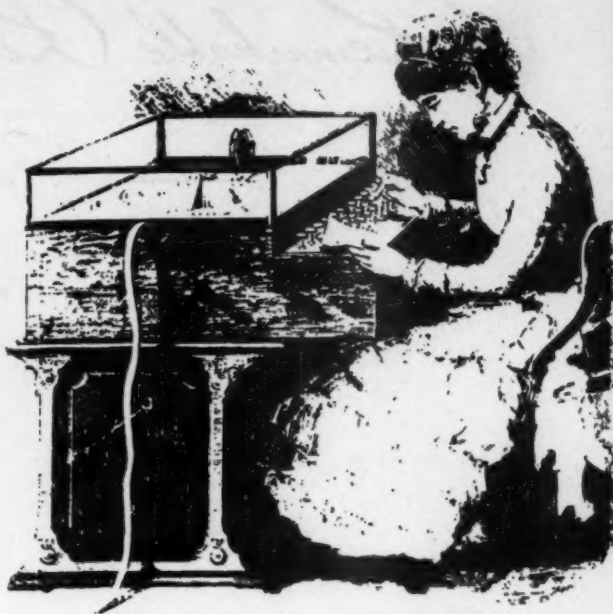
FRINGE ATTACHMENTS ON TELEPHONE SERVICE

A year after Bell invented the telephone, applications began to come into the Patent Office for supplementary attachment devices supposed to help, but sometimes hindering, telephone service. Today the industry has a real problem separating worthy uses for such telephone appliances as recorders, automatic secretaries, etc., from the harmful "foreign attachment" type against which the industry has invoked a traditional rule. Herbert Bratter tells us all about the telephone companies' troubles along this line.



Also . . . *Special financial news, digests, and interpretations of court and commission decisions, general news happenings, reviews, Washington gossip, and other features of interest to public utility regulators, companies, executives, financial experts, employees, investors, and others.*

Suggestion for getting work done faster



Courtesy Bettmann Archives

THIS is a drawing of an early American office machine—the Beach Typewriter.

As you can see, it utilized thin rolls of paper similar to today's stock ticker tape, and undoubtedly was a speed marvel of its day.

The constant endeavor to improve office machines has resulted in some mighty efficient equipment to simplify today's office routines.

Today, for example, many utilities (perhaps yours, too) have consumers' usage data compiled for them on a machine especially developed for the industry.

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Remarkable Remarks

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—MONTAIGNE

M. S. RUKEYSER
Columnist.

"Emotional language is not conducive to an objective audit such as the congressional committees should make."

ROBERT S. KERR
U. S. Senator from Oklahoma.

"The senatorial sleuths are really covering a lot of territory these days. They are investigating organized crime in low places and unorganized chiseling in high places."

HARRY A. BULLIS
*Chairman of the board,
General Mills, Inc.*

"Badly needed, among businessmen of tomorrow, is a greater clarification and more understanding and positive confirmation of proper limits as well as the full meaning of managerial 'social' responsibility and 'social' leadership."

M. E. SPAGHT
*President, Shell Development
Company.*

"The American petroleum industry now expends for scientific research \$2.56 a year for every family in America to improve its products, to make new products, and to increase the utility of petroleum to the public. This investment in research will be limited only by the ability of scientists to propose worth-while new subjects of investigation."

C. EMORY GLANDER
Former Ohio tax commissioner.

"The truth of the matter is that, regardless of the name applied, co-operatives are in the business of producing gain, profit, or income; that such gain, profit, or income is no different from that produced by the ordinary business corporation; that the co-operative is in fact an incorporated business organization just like other corporations engaged in business; and that the members of co-operatives are no different than the shareholders of an ordinary corporation and, in many instances, are actually stockholders."

EDITORIAL STATEMENT
Chicago Journal of Commerce.

"There's a great debate in official circles as to whether frantically to expand our productive apparatus for steel, aluminum, copper, zinc, and other metals and chemicals, or to let the expansion process bear some resemblance to the anticipated growth of normal peacetime demand. The decision, we believe, again assuming no all-out war, should be made by each company for itself. We believe each firm has a sounder idea of its own markets, sales potentials, and capital equipment needs than a government servant, pontificating within the marbled halls of a Washington office building."

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"On Test"...



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LAWRENCE MARIO GIANNINI
President, Bank of America.

"It is fatal to compromise with or appease Communism. Every act of compromise is a defeat for the ideas of freedom, liberty, justice, and the freedom of man under the fatherhood of God. Either you have brotherhood and liberty, or you do not. There is no middle ground and no spiritual basis for a compromise with paganism."

DONALD H. McLAUGHLIN
President, Homestake Mining
Company.

"One of the most dishonest things being done in this age is the providing of so-called social security whereby the workingman's money is taken away from him with promises of future security. At the same time, the country is being run by deficit financing with currency that is nothing but pieces of paper backed with the promise to exchange them for other pieces of paper."

JOHN FOSTER DULLES
Consultant to Secretary of State.

"There is a primitive law of the survival of the fittest and fitness is found, most of all, in adaptability to ever-changing conditions. Those who live under artificial, hothouse conditions do not last for long. A people become insecure when they demand and get personal security and material welfare that depend upon highly artificial conditions. No armament can protect against that type of insecurity."

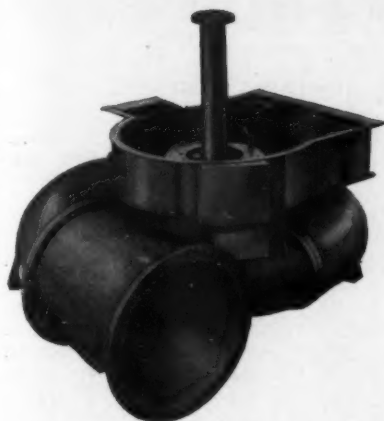
EDITORIAL STATEMENT
Los Angeles Times.

"The way to economize is to economize, to paraphrase a famous dictum. [House Appropriations] Committee members remarked that they were fed up with having Washington civilian agencies pleading for more money on the ground they were aiding preparedness. If they had any defense work to do, they should do it at the expense of some of their ordinary operations and not at that of the overburdened taxpayer."

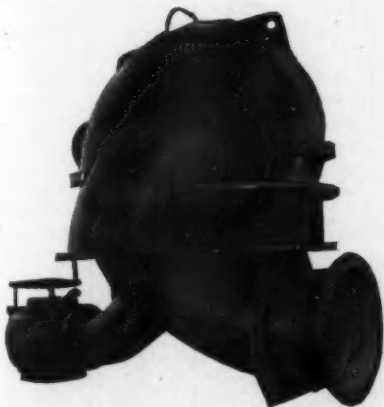
C. G. SUITS
Vice president, General Electric
Company.

"Perhaps never before has so much been said by so many with so few facts. It is safe to say that atomic power is not the means by which man will for the first time emancipate himself economically or forever throw off his mantle of toil. . . . At present, atomic power presents an exceptionally costly and inconvenient means of obtaining energy which can be extracted much more economically from conventional fuels."

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The Post War



= C-E REHEAT BOILERS

REHEAT UNITS ORDERED FROM JANUARY 1, 1946 TO MAY 1, 1951

Name	Station	No. of Units	Throttle Pressure	Primary Temperature	Reheat Temperature	Kilowatts Max. Capability (per unit)
Alabama Power Company	✓	2	1800	1000	1000	150,000
American Gas & Electric Co.						
Appalachian Electric Power Co.	Kanawha	2	2000	1050	1000	200,000
" " " "	Sporn	4	2000	1050	1000	150,000
Indiana Michigan Electric Co.	Tanners Creek	2	2000	1050	1000	150,000
" " " "	Twin Branch	1	2000	1050	1000	150,000
Ohio Power Co.	Muskingum	2	2000	1050	1000	200,000
oston Edison Co.	✓ Edgar	2	1450	1000	1000	81,250
Carolina Power & Light Co.	✓ Goldsboro	1	1450	1000	1000	75,000
" " " "	✓ Lumberton	1	1450	1000	1000	75,000
Central Hudson Gas & Elec. Co.	✓ Danskammer	1	1700	1000	1000	62,500
Central Illinois Public Serv. Co.	✓ Hutsonville	2	1450	1000	1000	75,000
Cincinnati Gas & Electric Co.	✓ Clermont	2	1450	1000	1000	100,000
" " " "	Clermont	1	1450	1000	1000	125,000
Cleveland Electric Illum. Co.	✓ East Lake	3	1800	1050	1000	125,000
Commonwealth Edison Co.	Ridgeland	2	1800	1000	1000	125,000
Public Service Co. of N. J.	Waukegan	1	1800	1000	1000	125,000
Connecticut Light & Power Co.	✓	1	1450	1000	1000	75,000
Consolidated Edison Co. of N. Y.	Astoria	2	1800	1000	1000	150,000
" " " "	East River	1	1800	1000	1000	150,000
Consumers Power Co.	Erie	2	1450	1000	1000	100,000
Cuyahoga Power & Light Co.	✓ Hutchings	4	1450	1000	1000	62,500
Dakota Power & Light Co.	✓ Edge Moor	1	1450	1000	1000	75,000
Detroit Edison Co.	Marine City	2	1800	1000	1000	125,000
Electric Power Co.	✓ Lee	2	1250	950	950	100,000
" " " "	✓ Buck	2	1800	1000	1000	125,000
" " " "	✓ Riverbend	2	1250	950	950	100,000
Electric Energy Inc.	✓ Joppa	4	1800	1050	1000	150,000
Florida Power & Light Co.	✓	2	1450	1000	1000	75,000
Illinois Power Co.	✓ Hennepin	1	1450	1000	1000	75,000
" " " "	✓ Wood River	1	1450	1000	1000	100,000
Key Central Power & Light Co.	S. Amboy	1	1700	1000	1000	62,500
" " " "	✓	1	1800	1000	1000	100,000
Kansas City Power & Light Co.	✓ Hawthorn	1	1450	1000	1000	100,000
Long Island Lighting Co.	✓ Far Rockaway	1	1450	1000	1000	100,000
" " " "	✓ Glenwood	1	1450	1000	1000	100,000
Metropolitan Edison Co.	✓ Titus	3	1450	1000	1000	75,000
New England Power Co.	Salem	2	1450	1000	1000	75,000
New State Electric & Gas Co.	✓ Dresden	1	1450	1000	1000	100,000
" " " "	✓ Goudey	1	1450	1000	1000	75,000

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REHEAT Picture

REHEAT UNITS ORDERED FROM JANUARY 1, 1946 TO MAY 1, 1951 (continued)

Name	Station	No. of Units	Throttle Pressure	Primary Temperature	Reheat Temperature	Kilowatts Max. Capability (per unit)
Niagara Mohawk Power Corp.	✓ Albany	3	1450	1000	1000	100,000
" " " "	✓ Dunkirk	2	1450	1000	1000	100,000
" " " "	Huntley	2	1450	1000	1000	100,000
" " " "	Oswego	1	1450	1000	1000	100,000
Ohio Edison Co.	Niles	2	1450	1000	1000	125,000
Pennsylvania Power Co.	New Castle	1	1450	1000	1000	100,000
Pacific Gas & Electric Co.	✓ Contra Costa	2	1450	1000	1000	125,000
" " " "	Moss Landing	2	1450	1000	1000	125,000
Pennsylvania Electric Co.	2	1450	1000	1000	100,000
Pennsylvania Power & Light Co.	Sunbury	2	1450	1000	1000	125,000
Philadelphia Electric Co.	Crombie	1	1800	1000	1000	150,000
" " " "	Delaware	2	1800	1000	1000	150,000
" " " "	✓ Schuylkill	1	1800	1000	1000	150,000
Public Service Elec. & Gas Co.	✓ Kearny	2	2300	1100	1050	150,000
" " " "	✓ Sewaren	1	1550	1050	1000	125,000
Public Service Co. of Indiana	Wabash	2	1450	1000	1000	100,000
Rochester Gas & Elec. Co.	✓ Russell	2	1450	1000	1000	62,500
Rockland Light & Power Co.	✓ Tomkins Cove	1	1700	1000	1000	62,500
South Carolina Elec. & Gas Co.	✓	2	1450	1000	1000	75,000
Southern California Edison Co.	✓ Etiwanda	2	1800	1000	1000	125,000
" " " "	2	1800	1000	1000	150,000
Tennessee Valley Authority	✓ Kingston	4	1800	1000	1000	150,000
" " " "	Shawnee	4	1800	1000	1000	150,000
Union Electric Co.	✓ Meramec	2	1250	950	950	125,000
Utah Power & Light Co.	Salt Lake	1	1450	1000	1000	75,000
Virginia Electric & Power Co.	✓ Chesterfield	1	1450	1000	1000	100,000
" " " "	✓ Gilmerton	1	1450	1000	1000	100,000
Wisconsin Electric Power Co.	✓ Oak Creek	2	1800	1000	1000	120,000
" " " "	✓ Pt. Washington	3	1450	950	950	80,000
Wisconsin Power & Light Co.	Beloit	1	1450	1000	1000	75,000



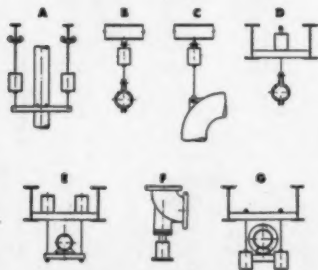
COMBUSTION ENGINEERING—SUPERHEATER, INC.

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FIG. B-268

TYPICAL APPLICATIONS



(A) Rod threaded to top cap (B) Furnished with single lug (C) Two lug style (D) Top adjusting (E) Adjustable top and bottom (F) For floor support (G) Trapass assembly.

Pre-solve Pipe Suspension Problems...

with
**Grinnell Pre-engineered
Spring Hangers**

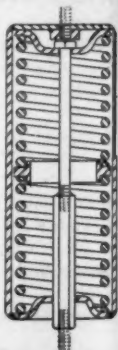
- Maximum variation in supporting force per 1/2" of deflection is 10 1/2% of rated capacity — in all sizes.
- Precompression* assures operation of spring within its proper working range where variation in supporting force is at a minimum.
- Compact—minimum headroom made possible by precompression*.
- Guides prevent contact of coils with casing wall or hanger rod and assure continuous alignment and concentric loading of spring.
- All-steel welded construction meets pressure piping code.
- 16 sizes available from stock — load range from 74 lbs. to 9000 lbs.
- Easy selection of proper sizes from simple capacity table.
- Installation is simplified by integral load scale and travel indicators.
- Unique swivel coupling provides adjustment and eliminates turnbuckle.

*Precompression is a patented feature.

FOR LESS VARIATION IN SUPPORTING FORCE — FIG. 98

Fig. 98 is an adaptation of Grinnell's popular spring hanger, Fig. 268. It consists of two springs arranged in series within a single casing. A centering guide insures the permanent alignment of the spring assembly.

Fig. 98 has half the load deflection rate, and double the total working range of Fig. 268. Its 16 spring sizes accommodate loads from 74 lbs. to 9000 lbs. — but with a total working range up to 5 inches! Fig. 98 comes in the same seven types as shown for Fig. 268. Design details for identical types and sizes are the same for Fig. 98 and Fig. 268.



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for instant use**

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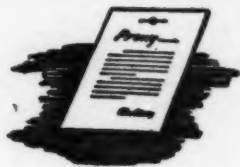
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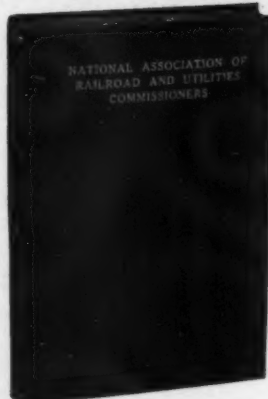
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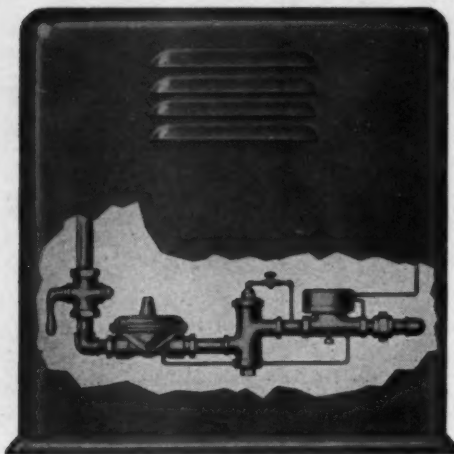
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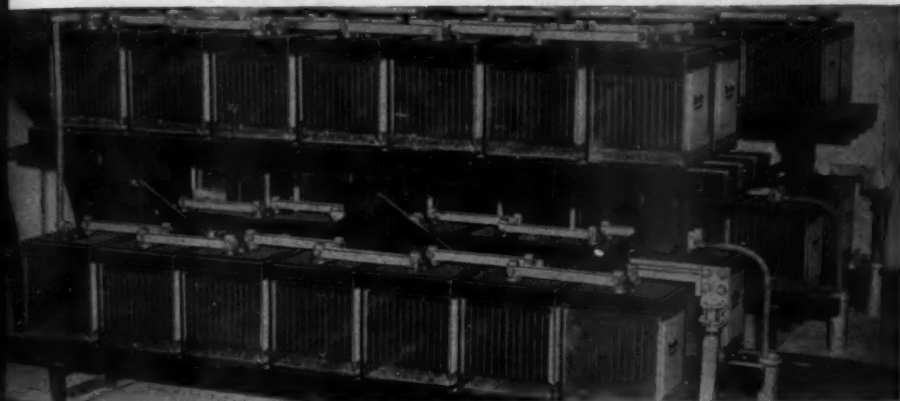
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Green River Power Station uses 60-cell Exide-Manchex to control switchgear, to supply power for emergency lighting, alarms and communication systems



60-cell EME-25 Exide-Manchex Battery controlling switchgear and supplying emergency power in the Green River Station.

The Green River Power Station, a modern base load plant of the Kentucky Utilities Company, utilizes two 30,000 KW turbine-generators. It supplies power for important communities and industries in the surrounding territory through three radiating 33 KV lines, two 66 KV lines, and one 138 KV line.

The station battery—a 60-cell EME-25 Exide-Manchex—is used as a source of supply to trip and to initiate the reclosing action of seven 66 KV and four 33 KV oil circuit breakers. These are pneumatic closing, with the battery supplying power to operate the air valve which closes the breaker. Inside the plant are 31 air circuit breakers operating at 2.4 KV. These breakers are also controlled by the Exide-Manchex. The air breakers control all motors of 100 H.P. and up; all station auxiliary power. And when all else fails, a battery-operated motor-driven oil pump maintains pressure in the hydrogen oil-seal system.

Besides the switchgear control, the Exide-Manchex supplies power for 14 KW of

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5	T ^a	† Tennessee Liquefied Petroleum Gas Association will hold convention, Nashville, Tenn., Aug. 5, 6, 1951.
6	F	† American Institute of Electrical Engineers will hold Pacific general meeting, Portland, Ore., Aug. 20-23, 1951.
7	S ^a	† Pacific Electronic Exhibit will be held in the Civic Auditorium, San Francisco, Cal., Aug. 22-24, 1951.
8	S	† Illuminating Engineering Society will hold national technical conference, Washington, D. C., Aug. 27-30, 1951.
9	M	† Western Liquefied Petroleum Gas Service School will be held, Berkeley, Cal., Aug. 29-31, 1951.
10	T ^u	† Northern California Electric Bureau will hold annual exposition, San Francisco, Cal., Sept. 1-9, 1951.
11	W	† Pacific Coast Gas Association will hold annual convention, San Francisco, Cal., Sept. 4-6, 1951. ☾
12	T ^a	† Public Information Program, East North Central Group, begins meeting, Detroit, Mich., 1951.
13	F	† Rocky Mountain Electrical League will hold fall convention, Santa Fe, N. M., Sept. 9-12, 1951.
14	S ^a	† American Society of Mechanical Engineers and Instrument Society of America will hold joint exhibit and conference, Houston, Tex., Sept. 10-14, 1951.
15	S	† Midwest gas school and conference will be held, Iowa State College, Ames, Iowa, Sept. 13, 14, 1951.
16	M	† Tennessee Independent Telephone Association will hold annual convention, Nashville, Tenn., Sept. 19, 20, 1951.
17	T ^u	† Arkansas Telephone Association will hold annual convention, Hot Springs, Ark., Sept. 24, 25, 1951.
18	W	† American Society of Mechanical Engineers will hold fall general meeting, Minneapolis, Minn., Sept. 25-28, 1951. ☾



Bronze Commemorating Oesterreich Pole Top
Resuscitation

(See story, page 53)

VOL.

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*For
Editors

Public Utilities

FORTNIGHTLY

VOL. XLVIII No. 1



JULY 5, 1951

Industry's Common Defense Against Inflation

Public utilities continue to hold the "first trench" in the defense of the enterprise system against the encroachment of state Socialism. Here is a stirring message from the chief executive of the American Bankers Association, showing how important it is for all businessmen to join ranks, in the critical period ahead, in defense of our common heritage.

By JAMES E. SHELTON*

WE are now engaged, and possibly for some years shall be engaged, in a great military, industrial, and spiritual mobilization to prevent the ruthless hordes of Russia and her satellites from dominating mankind and destroying us and all that we and all other freedom-loving people hold most sacred. Truly, Christian civilization and humanity are at stake. Our

success or our failure will depend basically upon the strength of our economy and the productive capacity of our privately owned and operated industrial system. The future of this country and its very salvation depend upon our strength—not alone our military strength, necessary as that is, but also our economic, financial, industrial, and spiritual strength on the home front. Only such strength can prevent another global war, and only such strength can enable us to win if

*For personal note, see "Pages with the Editors."

PUBLIC UTILITIES FORTNIGHTLY

such a war is forced upon us. We can never be destroyed from without unless we first disintegrate and deteriorate from within.

If our internal economic strength is so important—and it is, for it is the very foundation upon which our military productive effort is founded—let us take a look at some of the features of our economy.

In discussing the problems confronting us in these critical days in order to determine sound national policies, candor and a realistic consideration of the facts are vitally necessary. Freedom of discussion and debate are an inherent and necessary part of our American way of life. They promote understanding. Appeals for unity from those who want to cover up blunders, either past or present, are not worthy of consideration at a time like this. We have too much at stake.

I agree with the recent statement of the President to the Congress when he said: "I do not ask for an end to debate. Only by debate can we arrive at decisions which are wise and which reflect the desires of the American people." He further said: "Let each of us put our country ahead of our party and ahead of our own personal interests."

WE have heard a great deal about inflation in recent months and how to remedy it. One might almost think that it was something that never existed until the Korean war, and that the tightening of a few economic thumbscrews will eliminate it. Well, I don't think that either of those assumptions or even both taken together cover the situation entirely. I know that if I were really ill and I called in

a doctor, the first thing I would want him to find out would be what was the matter with me, what was causing the illness, and remove the cause. A little aspirin to lower the temperature and even a little sedative to induce sleep I might be glad to have on the side. But if I thought the doctor either did not know or was not treating the cause of the illness and was merely putting me to sleep with sedatives so I would not know or care about my illness, then I would certainly demand a change of program.

Let us be realistic about this matter. Certainly we have some inflation—a lot of it. Our economists tell us that high prices are not inflation — that they are the evidence of it. Well, our dollar had lost more than 40 per cent of its purchasing power before the Korean war, so all of our inflation did not come just since the Korean war; and, therefore, it was not brought about by an increase in bank loans since the Korean war.

Now, I have a great respect both for economics and for practical economists. I do not think that all economics is to be found in books. Some of the greatest lessons in economics can be and must be learned by human experience, the hard way. Furthermore, I do not believe that economics is an exact science like mathematics. There are many elements, both tangible and intangible, which have an effect upon the economy of the country, including many rather unpredictable human elements of which even individual and mass psychology play a part.

We should determine why and how inflation was brought about. We

INDUSTRY'S COMMON DEFENSE AGAINST INFLATION

should do this candidly, factually, and realistically, because it is logical to assume that if we could and would remove its causes, then we could arrest its progress if not entirely eliminate its effects.

INFLATION was brought about in this country as a matter of deliberate government policy over a period of almost twenty years, with World War II thrown in for good measure. Let us examine some of the things which brought it about. Inflation has been defined as an excess of money supply over the supply of goods and services available to be purchased. The bidding by the excess money for the short supply of goods or services raises the price of the goods and services; and, to the extent that the price is raised, the purchasing power of the dollar is decreased. I am not sure that this simple explanation is entirely adequate.

Almost twenty years ago, during a period of severe depression, those in charge of our government apparently decided that the fundamental law of supply and demand was too slow in functioning, and their economists wrote a prescription for a government-made, synthetic form of prosperity—really inflation—based upon a government-supplied excess of purchasing power and a government-created short supply of commodities. Such a program obviously required

money, and lots of it. The government does not produce wealth—it consumes wealth. The only money which the government has is that which it takes from its citizens in the form of taxes, either direct or indirect; and what it borrows, usually from its citizens.

So the government embarked upon the policy of taking tax money from those who had something and piling up government indebtedness and spreading the money around in the form of doles, subsidies, parity payments, price support programs, and other such devices, among people who would immediately spend it, on the theory that this was the way to create "increased purchasing power."

ON the other hand, to make goods and services scarce and therefore more expensive, the government paid the farmer not to plant crops and to kill his little pigs, and then, both directly and indirectly, pressed for shorter hours and more pay for labor and thus increased the cost of production. Thereby there was created the doctrine that the way for people to get along in this world was to get more and more for doing less and less. This was man-made, synthetic, artificially inseminated inflation, manufactured to order and found for some years to be politically quite profitable. Of course, it was bound to undermine the strength of our economy, and destroy individual incentive and unusual re-



Q "THE American system is based upon free individualism and freedom of opportunity. If you want more than you have and are willing to pay the price in brain and brawn and thrift and intelligence and industry, there is no limit to what you can produce and what you can have."

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ward for unusual effort upon which our whole success as a nation was built.

In its early stages, inflation is as stimulating as alcoholic beverages; but after overindulgence, it is just as destructive and brings about as great a headache. The government itself, with its continued peacetime budget deficits, based in a large measure on bank credit, planned, created, and fostered inflation, and then, pointing to the false, unsound, and synthetic prosperity created thereby, boasted that "we planned it that way."

The inflation was, of course, greatly increased by World War II and the deficit government financing indulged in during the war. With production of civilian goods diverted to the war effort and with price and wage controls and rationing, tremendous and abnormal shortages in civilian goods developed. Economic controls of this kind do not cure inflation. They merely hide it by artificially damming up the demand and postponing its fulfillment. At the end of the war, with price and wage controls damming up the demand for civilian goods, the government was in a position to hold both controls steady until civilian goods production could get under way; and when the supply approximately equaled the demand, it could then turn loose a free economy again.

IF this had been done, the continuing round of price increases might have been avoided or minimized. But the leaders of organized labor did not want to wait for wage increases, and the government yielded to their political pressures. Although labor is the greatest element in the cost of most

products, the government, with almost childish innocence, if it was innocence, announced that it would raise the wages of labor but still hold down the price of goods produced by labor. That statement, of course, was both ridiculous and impossible of fulfillment. Right then the dam holding back the flood of postwar inflation was deliberately breached by the government. Since the war, everything has been done to feed the fires of inflation. Price support programs, extravagant government spending, social welfare projects, all contributed to the inflation but shone briefly with a misleading glow of artificial and unreal prosperity.

When this government went off the gold standard and repudiated its contract to redeem its obligations in gold, it definitely struck a blow at the stability of the value of our currency and converted it into a government-managed currency with the many hazards incident thereto.

We hear a great deal these days about the contribution made to inflation by credit policies. It is true, of course, that the government easy-money policy to aid in low-cost debt servicing has been a factor in permitting the growth of inflation. A flexible rate which would attract the purchase of government debt outside of the banking system would have helped and would now help to minimize the forces of inflation. In saying this, I am not unmindful of the tremendous problems with which the Treasury has been faced in the management of the tremendous government debt.

IN the consumer credit field, there was a rapid expansion of credit in

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Defense of American Ideals

“WE must not allow the present emergency to become the occasion for losing our American heritage of a free political and economic life. We must not lose at home the very freedoms which we are fighting to preserve abroad. Here in America today on many fronts and in many ways the roll of the manhood of this country on this subject is being called. If we believe in American ideals, if we have the instincts, the character, and the hardihood of American pioneers, we will defend those ideals whenever they are put in jeopardy, whenever the time, wherever the place, and whatever the manner.”

which the banks participated. The rapid expansion in this field was in turn greatly stimulated by the housing boom. All these new houses had to be furnished and equipped with electric refrigerators, washing machines, and all of the multitude of appliances which are now a part of a new house. There again, however, many banks refused to go along on the terms which they felt were basically unsound, and in the face of competition on more liberal terms by finance companies, large retailers, other lenders, and some banks, largely adhered to the old Regulation W terms.

As a result of all these and other factors in the postwar years, the government went on, and aided, abetted,

and encouraged its citizens to go on a reckless spending spree which developed a frenzied business activity which was mistakenly called prosperity. With high taxes bringing in tremendous revenues to the government, we continued to live beyond our means, allowed our tremendous debt to remain outstanding, and sought ways and means to dole out billions of dollars to millions of people. At the same time, with war clouds hanging low over our horizon, we allowed our military strength and equipment to disappear and to rust out.

Then, when Korea came, this was the “status quo.” We use a lot of words in economic discussions these days which some of us have a hard

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time to define. I use the words "status quo" because I have an understandable definition for the words. A colored man who heard the phrase used asked his friend if he knew what it meant. His friend said: "Yes, I think I does. As I understands it, it means the hell of a fix we is now in."

I HAVE tried to summarize some of the facts leading to our present economic situation, not because I want to indulge in needless criticism at a time when we must all work together in this great emergency for the preservation of our country and the free peoples of the world, but because we must choose the road which we shall take from here on out. The same mistakes must not be repeated. If we want to build for permanent stability, we must get down to fundamentals and lay a firm foundation. We must clearly see, know, and eliminate our weaknesses and our mistakes.

Our problem is to divert the requisite man power and productive effort into the military program without needlessly disrupting our essential domestic economy. It will call for sacrifices; it will call for readjustments. Yes, and it will bring about many inequities and even injustices. These must be minimized or eliminated as they become apparent. But the big thing is we must get the job done.

In dealing with these problems, first things should come first. The war in Korea and the preparedness program will call for a large increase in government military expenditures. This seriously aggravates an already serious situation. The most obvious and direct way to offset in part increased governmental expenditures for war

purposes is, of course, to decrease, by cutting to the bone, government non-military expenditures.

It is not simply the matter of cutting waste, to improve government efficiency; it is also the matter of stopping cold the further expansion of so-called social welfare programs, socialized medicine, Brannan plans, etc., by at least postponing and deferring, if not abandoning, many proposed expenditures which many people might consider desirable in more normal times. In this category would come, among others, many subsidies, price support programs, public works, river and harbor improvements, public housing, socialized medicine, reclamation projects, the buying of mortgages—yes, and even the extension of veteran benefits to physically sound veterans. I do not wish to argue about any particular one of these things. There are many others which could be added to this list.

THIS is the type of action which will strike at the very heart of the problem and help offset increased war spending. My Washington friends tell me that they agree that the greatest thing that could be done at this time to preserve our economy would be a great governmental cutback in domestic expenditures, but that it is politically unrealistic to hope that the administration or the Congress will do it. It would be bad politics because it would disappoint so many people who profit by these expenditures. That strips the issue down to a very simple question.

At a time when our sons are dying by the thousands on foreign shores and our whole way of life is at stake,

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is it politically unrealistic to expect our representatives in Washington to put patriotism above politics? I do not think it is. Someone has said: "The mills of the gods grind slowly, but they grind exceedingly fine." The same thing is true of the mills of a representative government like ours. I think the hour is fast approaching when the people of this great country, shocked and grieved by the sacrifices of its young manhood, will rise almost en masse and demand that political expediency be put aside and that first things come first. Our representatives will act when enough of their constituents make their wants known. Have you written to your representatives in the Congress?

The fact that the Federal budget has been unbalanced for eighteen of the last twenty years is a major factor in the present situation. The great Federal deficits of the last World War and government borrowings from the banks to help finance them were the great credit inflationary factor in the last World War. Bank lending to bank customers was no material factor. Bank loans actively declined in spite of the defense loan program.

IF we are to avoid the same great mistake again, then we must gauge our expenditures to what we can raise by taxes and pay for. If new deficit

borrowing is required, it should be held down to the minimum and raised from nonbank investors, even if the interest rate has to be raised to accomplish it. High taxes in this period must be levied for two purposes: (1) to raise the necessary money, and (2) to reduce the purchasing power which exerts an added inflationary pressure. We hear a great deal out of Washington about more taxes these days, but about what kind of taxes?

During the fiscal year of 1947, out of the total of \$150,295,000,000 "adjusted gross income" in this country, \$118 billion was received by people in the income group of less than \$6,000 per year. It is perfectly obvious that if large amounts of taxes must be raised, they must come largely from this group, because that is where the income is. It is also perfectly obvious that if the inflationary effect of the mobilization program is to be offset, the taxes—to use a phrase which I dislike—to drain off the purchasing power must be levied upon those who receive the increased purchasing power. That includes the wage earner who, by full employment and overtime, receives the bulk of this excess purchasing power.

I have heard many proposals coming out of Washington to tax corporations and individuals in the high-income brackets, but I have not seen any



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realistic program to tax the only source from which enough money can be secured to pay the cost of the armament program and save the country from inflation. Why? The answer is obvious. It is not good politics. Well, we cannot let politics stand before the needs of the country.

Unless and until we meet frankly and honestly these fundamental and underlying factors, the puttering around with economic thumbscrews is just so much shadowboxing.

THERE has been much study and much discussion on the recent trends of bank commercial credit. Most of the increase this last year has been since the commencement of the Korean war. We should be sure that our figures on that subject are realistic before we make them the basis of restrictive action. We all know that many corporations and individuals bought abnormally during the months following the start of the war. They had the natural desire to supply themselves with the goods and materials needed in their business and personal lives. To the extent that they did future buying and used credit for that purpose, their future buying will level off and their loans will be reduced. It is also well known that the peak of commercial bank borrowing is always in the fall, and I have no doubt that a substantial part of the increase represents the normal seasonal peak. It should also be borne in mind that in using comparative figures, with higher commodity prices and higher labor costs, the amount of credit required to handle the same volume is materially higher than it was when these prices were lower. This is spectacularly true

in the case of some agricultural products.

We should not forget that it is the purpose of the commercial bank loans, rather than merely the size or volume of such loans, which determines their inflationary effect. Increased production of essential commodities is probably the most direct deflationary force in the economy. If loans are made for the purpose of financing essential production, then the increased production more than offsets the inflationary effect of the loan; and the whole transaction taken together is actually deflationary. Mere volume of loans is, therefore, not the sole criterion.

WE bankers are greatly concerned over the inflation that exists in this country, and we are deeply interested in the preservation of the integrity and purchasing power of the American dollar. We are the custodians of other people's money and property. That money is not impersonal. It is human money. It represents the "blood, sweat, and tears" of millions of people. It is the product of their brain and their brawn, their thrift and their labor, their economy and their industry, and their intelligence. It represents their protection against want in their declining years; it represents the support and education of their children, the care of the family when they are ill, and their comfort and happiness in a thousand ways.

We cannot stand by and see these funds dissipated by inflation, devaluation, and deficit financing which reduce the purchasing power of the dollar and thereby confiscate this accumulated capital.

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We know that we cannot borrow and spend our way to sound prosperity. If we borrow and spend more than we take in, we are mortgaging our future; and if we keep it up long enough, we will become bankrupt.

We know by experience that neither men nor nations can violate the simple but very fundamental facts of business and economic life without paying a staggering price in terms of human misery.

Inflation cannot be prevented merely by the imposition of government credit and other controls. The job can be done only if all elements of our economy — the government, labor, business, and the population at large — settle down to and live by sound business principles.

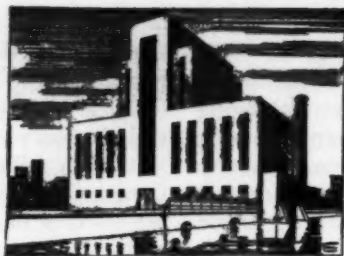
THE American system is based upon free individualism and freedom of opportunity. If you want more than you have and are willing to pay the price in brain and brawn and thrift and intelligence and industry, there is no limit to what you can produce and what you can have. That kind of life and opportunity came to be known as the American way of life. It has opened new frontiers, both geographically and scientifically. The opportunity in this great country of ours for every man, woman, and child to set his goal and then have the right, in his own way and by the use and development of his own talents and abilities, to achieve his ambition is the fundamental reason for our success, both as individuals and as a nation. This freedom and these opportunities of the individual are what made this nation great. They must be preserved

as a priceless heritage because the same things that made this nation great can keep us great.

We are now engaged in a great war mobilization program, which will involve huge military expenditures. The Congress is granting large emergency powers over our economy to the government, to enable it to make quick decisions and take quick action. The liberty-loving, self-governing citizens of this country are for patriotic reasons suffering their liberties to be restricted and their already heavy burdens to be increased. Now is the time, if ever in the history of this nation, for an alert citizenry to stand by as minutenen, solemnly resolved that wartime controls over the economy and the wartime regimentation of the people shall not become a permanent part of our economy and of our life.

WE must not allow the present emergency to become the occasion for losing our American heritage of a free political and economic life. We must not lose at home the very freedoms which we are fighting to preserve abroad.

Here in America today on many fronts and in many ways the roll of the manhood of this country on this subject is being called. If we believe in American ideals, if we have the instincts, the character, and the hardihood of American pioneers, we will defend those ideals whenever they are put in jeopardy, whenever the time, wherever the place, and whatever the manner. At this critical hour in the history of our country, the time has come for us as American citizens to stand up and be counted.



CO-ORDINATING FEDERAL, STATE, AND LOCAL

Hydroelectric Development

What should be the proper fields of activity for Federal, state, and local agencies in the planning, construction, financing, and management of electric power in water resources development projects?

By ROY A. WEHE*

THE recent 3-volume report of the President's Water Resources Policy Commission, which endeavors to formulate a national policy on the difficult matter of water basin development in all its ramifications, tends to emphasize the importance and need for a satisfactory solution.

At the outset, the President's commission was confronted with a human equation problem almost as complicated as the physical or engineering problem of making the best use of our national water resources. The human equation problem stems from the various viewpoints which must be reconciled or at least considered in any approach to water resources development.

Let us consider briefly these different viewpoints and positions.

*For personal note, see "Pages with the Editors."

JULY 5, 1951

The Federal Viewpoint

WE have three principal Federal agencies interested in the duty of carrying out laws passed by Congress for the development of our water and power resources: (1) the Interior Department's Bureau of Reclamation; (2) the civilian functions of the Army Engineers; (3) the Federal Power Commission—which is restricted to making studies and plans on rates charged for power from public projects; the first two agencies are planning and construction agencies.

It might be said for the Interior Department that it has consistently followed a policy of "comprehensive" development—trying to block out areas for multipurpose use of water resources as distinguished from piecemeal or single-purpose river development.

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As for the participation of private power companies, the Interior Department has never agreed with the argument that private companies should be permitted to take the position of public power at the bus bar of the Federal generating plant. William E. Warne, Assistant Secretary of Interior, outlined this attitude succinctly in a statement made a year ago before the Sacramento Chamber of Commerce. He said:

... Although the Federal government is not in the retail distribution business, it is required to see to it that power is disposed of for the particular benefit of domestic and rural customers. Power must be sold in wholesale quantities at the lowest possible rates consistent with sound business principles. Any disposal must be such as to encourage widespread use and to prevent monopolization. "Why the preference to public agencies?" some may ask. This is a preference only in the right to buy and is not reflected in a price differential, as some appear to believe. It is a protection of a source of power for the small publicly owned utility and it is furtherance of a policy to make publicly generated power serve as directly as possible in benefits to the people as a whole ...

To carry out the mandates of Congress, construction of Federal backbone transmission lines is required. In addition, steam plants and other installations are often needed, as they are in the Central valley, to firm up electric hydro power supply, step up capacity, and permit maximum efficiency of system operation ... Neither the Federal government nor the citizens of this great region can permit a private company to reap the primary benefit—in the form of middlemen's profit—from the publicly owned-publicly developed resources of the Sacramento river. Whether the Pacific Gas and Electric will be willing to enter

into a contract with the Department of the Interior to wheel public power over its lines to preference customers under terms which will yield benefits to the people as intended is not yet clear.

Recently the Secretary of Interior announced an agreement for a 10-year wheeling contract for handling Central Valley project power between Pacific Gas and Electric Company and the Reclamation Bureau. But whether this will end all the conflict between the Federal and private power agencies in this area remains to be seen.

Views of the State of California

BECAUSE water has been so vital and has been such an integral part of the development of the state of California, due in large measure to the arid nature of a substantial part of its land area as compared to many other states of the nation, it is probably not out of keeping to call attention to that part of the report entitled "Water Policies of California." On this score, we may only here note that over its one hundred years of statehood, California has formulated and adopted definite policies relating to the use and control of its water, with which, of course, power is intimately associated. These policies have been adopted through provisions of the state Constitution, acts of legislature, court decisions, and administrative policies. Some of these started as early as 1878, leading on through the authorization of the Central Valley Project Act of 1933, which provided for the development and utilization of the water resources of the great Central valley.

It was thus the state of California that initially envisioned and laid out

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the Central Valley project, which the government took over in the depression years, initially as a work relief measure, when the state found difficulty in marketing the bonds that had been authorized to finance the building of the project. Thus, if the state had proceeded with this work, it would have assumed full responsibility for planning, construction, operation, and maintenance of the system of water and power works for the control, conservation, and utilization of these resources for the people of the state of California. The state thus feels that, with this long experience, it is capable of handling the state's water and power resources at state level.

It is believed a fair view that the state of California is, in large measure, in opposition to the Federal government to plan, build, operate, and manage multiple-purpose water and power developments, as exemplified in the Tennessee Valley Authority, the Bonneville and Central Valley projects.

While it appears there are many contributory reasons for such a position, the principal one is lack of a direct voice of the people of the state from the local agencies directly involved in the determination of the need of such projects, in their planning, and in the manner in which they are to be built and operated. This

view is noted in a document presented to the President's Water Resources Policy Commission as part of the California state report of Director of Public Works C. H. Purcell, assisted by State Engineer A. D. Edmonston. This states in part (page 88):

It has been shown that the development of the national water resource policy has been characterized by progressive assumption of authority by Federal agencies authorized by Congress. By the same measure, the initiation, responsibility, and rights of state and local interests in these matters have been curtailed or endangered. This is of major importance and warrants full consideration in the determination of national water resources policy.

Again, on page 85:

In view of the primary interests and intimate concern, of local agencies in the operation and management of water resource projects, the present paternalistic Federal policies in this respect contravene local independence and responsibility, lead to inefficiency, and are generally undesirable. Discretionary powers, either granted or assumed by the head of a Federal agency, have further aggravated these conditions.

Now let us review, through the eyes of the state and local authorities, some of the asserted deficiencies in Federal policies.

While it is deemed that the quality of engineering on Federal construction is generally of a high standard, attention is directed to the many undesir-

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able features that are claimed to exist as now found under Federal agencies. Some of these may be enumerated as follows:

- (1) Unnecessary duplication and overlapping as between the Federal agencies, which lead to excessive costs and delays in development of the projects.
- (2) Frequently investigations by the Federal agencies fail to give proper and full consideration to the local needs and desires.
- (3) Plans may reflect an inflexible and unnecessarily elaborate design adopted on a nation-wide basis and thus lead to undue cost and lack of full adaptability.
- (4) Project costs are usually substantially higher than similar works for state, local, public agencies, or private interests.
- (5) That too many Federal estimates bear a poor relationship to cost experience (after adjustments and price changes).

In the summary (page 68), it is stated:

Many of the faults indicated are the result of interagency competition engendered by common statutory purposes without common supervision—nearly all the faults may also be attributed to lack of real local participation and responsibility in project planning, and lack of direct local participation in project costs.

In reference to management, the state report points out that "Existing Federal policy prescribes perpetual management and operation of multiple-purpose projects by agencies of the United States." (Page 83.)

THE state presents a comprehensive program for consideration of the Water Resources Policy Commission which includes the following features: First, primary responsibility in plan-

ning and construction, if undertaken by Federal agencies, should include the opportunity for participation by interested state and local agencies in all phases of engineering investigation and planning. Secondly, local, state, and Federal interests in all features of water resource development should be taken into consideration of the division of costs. Thirdly, local and state agencies should be given an opportunity to assume the management and ownership of such projects submitted only to Federal supervision required to protect the national investment.

Views of Local Agencies

WHILE expressions of viewpoint of these local agencies have not been available, in the sense that they have for the Federal and the state, yet it is believed fair to say that, generally speaking, it is the position of such local agencies that they be permitted to continue to exercise their constitutional rights in the development of water and power projects as their members and users of the service may feel is in the public interest, as they see it.

In California, this group has a very impressive record in the extensive undertakings that they have demonstrated their ability in developing and managing.

Starting in the southern part of the state, we have extensive irrigation and power development of the Imperial Irrigation District. This is the district that, through the construction and operation of the All-American Canal and, more recently, its power development, has reclaimed desert lands and brought forth highly pro-



Objective of Federal Power Expansion

"... unless the Federal agencies enter into power service to the ultimate consumer, which objective is disavowed, there is no advantage or need to supplant private power undertakings. Likewise, there certainly should be no question as to leaving to local interest the development and marketing of what amounts to essentially single-purpose projects."

ductive crops to the enrichment of the state and the nation. There is also the mammoth Metropolitan Water District that brings in water from the Colorado river to supply the teeming millions of southern California.

IN Los Angeles, there is the largest municipal power project and distribution of electricity in the United States, as well as the serving of municipal water, made possible through the construction of more than two hundred miles of aqueduct that brings the water from Owens valley, and which also develops power. I shall only mention by name such other important irrigation developments as the Fresno Irrigation District, Hetch Hetchy (San Francisco) waterworks, and the Sacramento Municipal Utility District.

To the north there is the large city of Seattle development and several others in the Pacific Northwest.

JULY 5, 1951

Views of Privately Managed Utilities

THE electric industry's "bill of rights" unanimously adopted by the eighteenth annual convention of the Edison Electric Institute gives us the basic position of the electric utility companies, which might be summarized by the following fifteen points:

1. Government Should Encourage Development by Private Capital.
2. Existing Programs of Local Suppliers Should Be Included in Federal Reports Dealing with Power Demand and Supply.
3. Much of the River Basin Development Can Be Accomplished by Non-Federal Capital.
4. Local Agencies, Not the Federal Government, Should Be Responsible for the Adequacy of Power Supply for Non-Federal Needs.
5. All Projects Should Be Economically Justified.
6. Benefits Should Be Required to

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Exceed Costs by Substantial Margin.

7. Power Development Should Be Truly Self-liquidating.
8. There Should Be No Subsidies for Power Development.
9. Power Should Be Sold at Market Value.
10. Federal Power Projects Should Pay Taxes or Tax Equivalents.
11. Licensing under Federal Water Power Act Should Be Encouraged.
12. Existence of Congressional Authorization of a Project Should Not Preclude Non-Federal Construction.
13. Disposition of Power Should Be by Non-Federal Marketing.
14. Federal Power Should Be Sold without Discrimination.
15. Some Water Users Should Have Precedence over Use for Power.

THERE are other viewpoints which can only be mentioned in passing. The very excellent and comprehensive statement of the Engineers Joint Council (composed of the five national societies) proposed in general that the Federal government should stay out of the production and supply of power for regional needs—leaving such operations to local enterprise, state, municipal, or private. The inclusion of local enterprise, the full reimbursement of government investment, Federal sale at the bus bar, and local acquisition of Federal projects were likewise recommended by the joint engineering group.

On April 2, 1951, the Interior Department and the Pacific Gas and Electric Company entered into a 10-year agreement designed to settle the controversial question of wheeling power for the Central Valley project. Announced on April 3rd by Secretary of Interior Chapman, the "wheeling serv-

ice contract" provides the bureau may use company facilities to supply power to Federal establishments and "preference" customers.

Power generated at the Central Valley project plants will be delivered to the company's system at Tracy, California. From there it will be transmitted by the company to "load" customers of the government in the Sacramento and San Joaquin valleys and in Solano, Contra Costa, Alameda, and Santa Clara counties.

Under the terms of the contract, the government will pay PG&E for the wheeling service at the rate of one mill per kilowatt hour for delivery at 44,000 volts or higher, at one mill per kilowatt hour plus 10 cents per kilowatt of monthly maximum demand for deliveries at less than 44,000 volts but not less than 22,000 volts, and at one mill per kilowatt hour plus 22 cents per kilowatt of monthly maximum demand for all other deliveries.

THE wheeling service agreement covers Federal establishments and those consumers which were being served by the company on the effective date of the contract, and who are eligible as preference customers under Reclamation Law. They must have had monthly demands of 500 kilowatts or more for three consecutive months in the twelve months immediately preceding the date on which the company was requested to commence service, and must be located and use such power and energy outside the corporate boundaries of municipalities wherein the company serves at retail.

Other customers covered by the wheeling agreement include contractors for construction of Bureau of

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Reclamation projects or any development which has been authorized to be added to the Central Valley project. The power requirements of the United States itself in the construction, operation, or maintenance of any Bureau of Reclamation project also would be met by the wheeling service. In both instances, however, the power delivery shall be rendered only for use outside the corporate boundaries of municipalities to loads where the monthly maximum demand is 100 kilowatts or more.

The contract further provides that when additional loads of the United States or its customers become prospective, the company will inform the United States within ninety days after service is requested whether or not it will serve such loads under the contract.

The wheeling service agreement does not terminate or in any way affect any contract between the company and a customer.

The contract became effective on the date of its execution subject to the issuance of an order by the public utilities commission of the state of California, authorizing the PG&E Company to carry out the terms of the contract and will remain in effect for a period of ten years.

PACIFIC GAS AND ELECTRIC COMPANY, previous to the execution of

the wheeling contract, has been purchasing near the plants all of the output made available to it from the Shasta and Keswick power plants. Under this arrangement the project has been receiving the maximum possible revenue from the sale of power because the company is paying for the power under the bureau's "postage stamp" rate schedule. In March of this year, for example, James B. Black, president of the company, testified before the House Committee on Appropriations that the company paid an average of 5.4 mills for project power in 1950.

Under these conditions of higher revenue received for commercial power by the bureau for direct deliveries at the Shasta substation (only 25 miles from the dam), it is not surprising that the net earnings to the bureau from power are substantially higher. In spite of the fact that such disposal of bureau power yielded the maximum earnings for the project, the bureau proceeded with the construction of both of its so-called "Eastside" and "Westside" transmission systems of some 190 miles to Tracy, and has likewise endeavored to secure the necessary appropriations for its proposed steam plant. Under the bureau's "postage stamp" form of rate, the charges for power are the same at any point of delivery from its transmission system, so the additional invest-

Q "CERTAINLY, if both the letter of the law, as well as the spirit of fair play, are employed in moving forward in the handling of our water-power problems, there should be left to local agencies an important part in the planning, financing, construction, and operation of the projects."

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ment and operating expenses and transmission losses incurred do not yield the project added earnings from the sale of commercial power. Every kilowatt hour of energy delivered over the bureau's lines to Tracy, whether sold to the company or delivered to it for wheeling to a bureau customer under the new contract, will yield less net revenue to the project than if the power were sold to the company near the dam.

WHERE project power is purchased for redistribution by a private company under state and Federal regulation, there is no "middlemen's profit" realized by that transaction. Each dollar paid for project power is charged against the ultimate consumer at one dollar and no more. There is not a dime in "return" earned by the private utility on such a transaction, as there is no investment involved and no means to make an earning on the transaction. Thus, any benefits received through lower-cost project power are passed on in total to the public who ultimately use that power.

In reference to the wheeling charges, it may be said that such have as their foundation actual costs of transmission that both contracting parties presented, and the final negotiated charges provide for delivery of project power at a uniform charge within a service area of nearly 400 miles in length and approximately 100 miles in width, over the transmission network of the Pacific Gas and Electric, as provided in the contract.

With the privileges and benefits resulting to the government under the wheeling contract, whereby project power may readily be delivered not

only for the government's own requirements, but also to preference customers, the question naturally arises whether further building of government transmission lines will take place, and whether other loads now served by the private utility or load growth that normally would be served by the local utility will be taken by the government.

If the broad objectives of the wheeling agreement are carried out by both the contracting parties, is it too much to expect that each may develop and live in its own sphere of service?

IT is not necessary that the Federal government compete with private and local agencies, and particularly in the matter of the distribution of power. In fact, no lesser personage than our late President, Franklin D. Roosevelt, in his book *Looking Forward*, in the chapter on "The Power Issue," stated:

I do not hold with those who advocate government ownership or government operation of all utilities. As a broad general rule, the development of utilities should remain, with certain exceptions, a function for private initiative and private capital.

But the exceptions are of vital importance, local, state, and national, and I believe that an overwhelming majority of the people of this country agree with me.

Therefore I lay down the following principle: that where a community or a district is not satisfied with the service returned or the rates charged by a private utility, it has the undeniable right as one of its functions of government, one of its functions of home rule, to set up after a fair referendum has been taken, its own governmental owned and operated service.

State-owned or Federal-owned pow-

PUBLIC UTILITIES FORTNIGHTLY

er sites can and should properly be developed by government itself. When so developed, private capital should be given the first opportunity to transmit and distribute the power on the basis of the best service and the lowest rates to give a reasonable profit only.

Conclusions

IT appears unnecessary to make any attempt to summarize or suggest a point-by-point program of the sphere of activity and influence the different levels of Federal, state, and local agencies should occupy in the power development, operation, and management of our natural water resources.

It is clear there is a definite place for each to work in harmony and co-operation to carry out a program for the common good of the people. It is also believed crystal clear that it is the very determined view of the state, municipalities, private companies, and individuals that they shall be given and have a major place in all phases of water-power development. It is believed that, in the final analysis, such insistence does not arise so much from the economic point of view as it does from the need to maintain the basic and fundamental rights of a free people to determine and have a hand in the carrying out of these things that affect their daily livelihood.

In this rôle, where government itself through various agencies provides a commercial service alongside of non-governmental agencies, the question is raised by some students whether there is not a need for more independent control over the governmental agencies.

Paul J. Raver, Administrator of Bonneville, is not satisfied that such is necessary and, in the case of the func-

tioning of the Bonneville project, it is his view that much of the needed changes for more efficient functioning (and he states every effort is made to make it so function), could be "achieved by Congress with minor amendments to existing law."

IN prewar Germany, there appeared to be a somewhat closer working together, or pooling, of governmental and private interests from the point of view of power development and transmission. In several such large production and transmission companies, ownership was distributed between government and private interests through the simple medium of stock holdings in the corporation or cartel. Each group was represented on the board of directors. However, it is understood that officers of the corporation were not permitted to be members of the board of directors. There is thus said to be greater independence between the operating management and the board than is the case under our corporate form of organization. While it is understood that the representatives on most boards from government agencies constitute a majority, yet it is likewise held that the operating managements have most of the attributes of wholly privately operated companies, such as the freedom of executive direction, immediate execution of orders, with resulting better co-ordination and operating efficiency. Incidentally, the salary level is said to correspond more nearly to that of competitive industry, rather than the lower and inadequate levels generally fixed in this country through legislation.

We may now ask ourselves—What

CO-ORDINATING HYDROELECTRIC DEVELOPMENT

does all this mean and add up to in terms of a broad power policy?

Certainly, if both the letter of the law, as well as the spirit of fair play, are employed in moving forward in the handling of our water-power problems, there should be left to local agencies an important part in the planning, financing, construction, and operation of the projects.

THE power phase lends itself to this concept even more than other functions found in our large multiple-purpose projects, which large undertakings, in turn, lend themselves advantageously to Federal participation. Why? Because, as we know, power cannot only be made entirely financially self-supporting in all economically feasible projects but it can also be made to help other phases of the project that are not self-supporting.

This, we have seen, is well demonstrated in our own Central Valley project where direct sale to the local utility not only provides fairly comparable earnings with those that

would be realized if the bureau undertook more extensive marketing, but, in fact, there are millions of dollars of net advantage to the project each year through such direct sales. And, in addition, many more millions of dollars paid into the local, state, and Federal treasuries because of the taxes.

Accordingly, unless the Federal agencies enter into power service to the ultimate consumer, which objective is disavowed, there is no advantage or need to supplant private power undertakings.

Likewise, there certainly should be no question as to leaving to local interest the development and marketing of what amounts to essentially single-purpose projects.

In the final analysis, can we not conclude there should be co-operation and the recognition of the respective rights and obligations of all, to the end that we not only realize the over-all net economic benefits from the development of our water-power resources but, in so doing, we retain our rights as a free people to decide what is best and the manner of doing it?

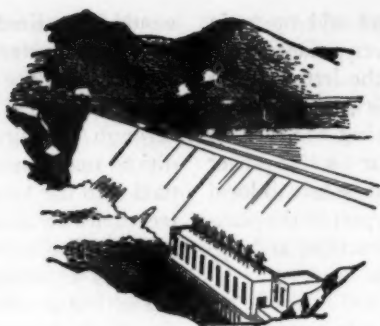
Need for New Capital

"THE country and the whole world need new capital. That means a larger part of savings needs to be devoted to new ownership investment, in new companies, and in existing enterprises.

"I say it is fantastic to think the standard of living can be improved here and abroad with the present tax structure. I have heard serious study is being given to ways of putting the President's worthy objectives in Point Four of his inaugural address into practice.

"My conviction is that these plans are doomed to failure if the only source of private investment—the American people—are not encouraged to invest."

—EMIL SCHRAM,
Former president, New York Stock Exchange.



Interstate Compact Development Of River Basins

The interstate compact represents a home-rule approach to the problem of natural resources development by benefiting states on an area basis. To that extent, it is an answer to the fears of Federal domination and overcentralization of government in public project planning. Here is a progress report on several interstate compact movements going on simultaneously in various areas of the country.

By J. LOUIS DONNELLY

COMPACTS as a means of meeting interstate problems have become increasingly popular in the past decade. Currently numerous new projects of this type are predicted.

These compacts may involve river basins, boundaries, populated areas, or mutual aid.

States have found that by concerted action, much can be accomplished directly rather than depending on the national government. This is becoming particularly true of river basin controls. Also successful have been such accords as the New York Port Authority, the Interstate Oil Compact, as well as various fishing compacts.

A trend in the New Deal thirties

toward establishment of river valley authorities appears to have encountered real opposition resulting from New Deal legislation. This was the "death sentence" provision of the Public Utility Holding Company Act of 1935.

No longer is there absentee ownership of most of the nation's operating electric utilities. Today they have numerous customers as direct stockholder owners and these private companies are better able to combat government moves. This is particularly true in the West. It is interesting to note that government agitation is still strong in New England where large holding companies still operate.

INTERSTATE COMPACT DEVELOPMENT OF RIVER BASINS

The interstate compact movement has just received an important boost from the Supreme Court. This tribunal upheld the validity of an 8-state compact to control pollution in the Ohio river system. States involved are Pennsylvania, Illinois, Indiana, Kentucky, New York, Ohio, Virginia, and West Virginia.

Justice Felix Frankfurter, in writing the unanimous decision, took the position that states should solve interstate water problems "by co-operative study and by conference and mutual concession."

THE NEW YORK TIMES described the decision as potentially one of wide public interest. The paper pointed out that while specifically a fight between West Virginia officials is settled, the case may have a bearing on many current and future interstate efforts.

Governor Alfred E. Driscoll of New Jersey declared that the Supreme Court "has reaffirmed its belief that states should resolve their own water problems through the medium of interstate compacts."

In a timely study¹ recently published by the Council of State Governments, Chicago, it is stated that after a century and more of narrowly restricted use, "the interstate compact has begun to show an unsuspected versatility."

The growing compact activity is described in the book as promising "a more smoothly functioning Federal system, because the problems presented by constitutional rigidity have been succeeded by problems of administra-

tive integration in the Federal system, and the compact will be useful in their solution."

The question of jurisdiction over river basin projects between the Federal government and the states has been given much public attention in recent years.

Legislatures have been considering proposals providing for interstate compacts. Many states from coast to coast are interested in this problem either directly or indirectly.

Farthest advanced is the project to utilize the waters of the Delaware river. Enabling legislation has been before the legislatures of Delaware, New Jersey, New York, and Pennsylvania. It would be necessary for Congress to approve the compact creating the Delaware River Basin Water Commission.

Aside from an FPC license, Pennsylvania's Governor Fine has complicated this with a 9-man study committee.

OUT in the Northwest, the Columbia Interstate Compact Committee has been formed to reach agreements on the distribution and uses of the waters of the Columbia river and its tributaries. Included in this group are representatives of Washington, Oregon, Idaho, Montana, Nevada, Utah, and Wyoming.

Back in 1937, the four New England states in the Connecticut river valley, Connecticut, Massachusetts, New Hampshire, and Vermont, were rebuffed by Congress when Federal approval was sought of a state-approved interstate flood-control compact. A new and similar compact has been up for approval by the four states.

¹The *Interstate Compact Since 1925*, by Frederick L. Zimmerman and Mitchell Wendell.

PUBLIC UTILITIES FORTNIGHTLY

Involved in all instances but to varying degrees is the question of states' rights. Government agencies have been far more active than the states in recent years in the development of river basin projects. What has been accomplished has served to awaken local authorities to their own responsibilities. Some have claimed that Federal moves have interfered with rights of local areas.

Where streams are interstate, it has not always been easy to reach accords among the interested state governments.

This was true in the Colorado River Compact which has been a matter of study by other localities.

The Colorado river watershed includes portions of seven states, Arizona, California, Colorado, Nevada, New Mexico, Utah, and Wyoming.

Informal discussions concerning an interstate agreement to allocate these waters were first held in 1918. A proposal to form a compact was approved three years later. In 1923 an agreement was signed subject to legislative ratification. The compact provided for a division of the available water between the "upper" and the "lower" basins. In 1923 six of the seven states ratified but Arizona opposed the agreement, claiming that the amount of water allotted to the lower basin was far less than needed. It was not until

much later, February 24, 1944, that this state took favorable action.

In the interim a way was found to proceed without unanimous consent. A 6-state compact was proposed and ratified, although California accepted with reservation. Utah repealed its action in 1927 but ratified in 1929.

Prior to Arizona's ratification, the Colorado River Compact was held up as a horrible example of compact weakness. Today this position has changed.

The final Swing-Johnson Bill, enacted by Congress in 1928, provided for the Boulder Canyon project and became binding provided it was ratified by six of the seven states within six months.

The act provided that the purposes of the project were: (1) the control of floods; (2) the improvement of navigation; (3) the regulation of the flow of the Colorado river; (4) storage of water for reclamation of public lands; and (5) the generation of electrical energy as a means of making the project self-supporting and finally solvent.

Here was a pattern for similar action in other areas but resultant delays prevented its spread.

It has not been until recently that the trend toward local government ac-

Q "COMPACTS as a means of meeting interstate problems have become increasingly popular in the past decade. Currently numerous new projects of this type are predicted. These compacts may involve river basins, boundaries, populated areas, or mutual aid. States have found that by concerted action, much can be accomplished directly rather than depending on the national government."

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tion has been able to make headway.

A significant development is that many compact proponents are sharply critical of Federal programs.

James H. Allen, executive secretary of the Interstate Commission on the Delaware River Basin (Incodel), is a firm believer in "home rule" programs for river development. It is his belief that the Incodel project will establish a new pattern, based on interstate cooperation, by which programs comparable to national projects may be accomplished at far less cost. He asserts that "local and state governments must resume the status of responsible sovereign agencies of general government or democracy cannot live in America."

At public hearings held June, 1950, before the President's Water Resources Policy Commission, sentiment leaned to a limitation of the interests of the Federal government.

MINUTES of the December 11, 1950, meeting of the Columbia Interstate Compact Committee at Portland, Oregon, indicate an attempt to clarify the status as between Federal and state jurisdiction. A Bureau of Reclamation representative pointed out that some agencies of the Federal government, in the development of flood-control and navigation projects and the incidental benefits of the same, have in some cases overstepped state laws. Attention was called to the fact that the Federal administration is not favorable to compacts which tend to bind the Federal government on matters pertaining to navigable waters.

General Thomas M. Robins, United States Army, retired, of Portland observed that the Federal government

has no rights except to regulate water for flood control and navigation and must conform to state laws. Howard R. Stinson, regional counsel for the Bureau of Reclamation of Boise, Idaho, commented that "United States filing under state law for power rights has never been decided by the courts."

The 7-man Water Resources Policy Commission, appointed by President Truman to study and recommend uses for the nation's water resources, reported, following nation-wide hearings, that a drastic overhauling of water planning policies was needed to halt waste.

The WRPC report favored congressional action calling for the setting up of commissions for each area composed of representatives of all responsible Federal agencies. State and local governments would be limited only to co-operating in the planning, it was stated, but the Federal government should assume leadership.

This report was sharply criticized by the American Watershed Council, which charged that the group sought to extend rather than curtail Federal participation in development of water resources. Also assailing the report was James W. Parker, president of the Detroit Edison Company and chairman of the Public Information Program of the electric power companies. Mr. Parker charged that the report was another expression of hostile attitude toward independent enterprise.

THE program for the utilization of the waters of the Delaware river basin has for its objective the supplying of a much needed water supply to a neighboring area as well as to regulate the flow of the stream.



Federal Activity in Local Development

"GOVERNMENT agencies have been far more active than the states in recent years in the development of river basin projects. What has been accomplished has served to awaken local authorities to their own responsibilities. Some have claimed that Federal moves have interfered with rights of local areas. Where streams are interstate, it has not always been easy to reach accords among the interested state governments."

Studies made by consulting engineers, based on population, water consumption, and capacity of existing supplies, have indicated that within the next thirty years the northern New Jersey metropolitan district and the area served by New York city will need an additional 465,000,000 gallons of water daily. Looking beyond that period (1980 to 2000) it is forecast that the requirements of the area will probably increase by an equal quantity.

The engineers assert that there is an immediate need for increasing the dry weather flow of the river at Trenton to at least 4,000 cubic feet per second and possibly to about 4,800 cubic feet per second. Under present conditions, the natural summer flow at Trenton averages approximately 2,300 cubic feet per second, but often falls below 2,000 and has fallen as low as 1,200 feet.

The importance of the downstream flow is emphasized by announced plans to build new large steel mills in the Trenton-Camden area. The eliminating of a salt condition in dry periods would be one of the accomplishments of the Delaware project. Also to be supplied is a source of water for the city of Philadelphia.

Interstate efforts in New England are currently centered in flood control, although broader purposes could readily develop from this beginning. Thus far proposals for hydroelectric power developments have not been included in compact drafts.

THE governors of the four Connecticut valley states in 1945 appointed representatives to an interstate flood-control committee. This action by the state heads was informal and without statutory authority.

This committee was reconstituted

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two years later, in 1947. This group in December, 1948, completed a new Connecticut River Interstate Flood Control Compact and recommended its adoption by the four states involved.

The compact was enacted by the Connecticut legislature but has been revised. In the new form, Vermont has approved.

The Connecticut river compact provides primarily that Massachusetts and Connecticut will reimburse Vermont and New Hampshire for loss of taxes and for economic losses occasioned in towns of the up-river states by the construction by the Federal government of flood-control dams which would benefit Massachusetts and Connecticut. Connecticut in turn would reimburse Massachusetts for similar losses incurred in that state.

This compact would require congressional approval.

NEW ENGLAND has been more successful in getting together on water pollution. The 1947 legislatures of Rhode Island, Massachusetts, and Connecticut enacted a New England Water Pollution Control Compact. This was approved by Congress the same year. Since then New York has become a member by legislative action.

These actions have no relation to natural resource studies of the area as set up by the national administration.

A 4-year study of the natural resources of New England and New York is being made by a committee of six Federal agencies created by directive of President Truman. This interagency committee has given the four states in the Connecticut river valley full clearance to ratify the Connecticut River Flood Control Com-

compact and in addition has given the Army Engineers and the Federal Power Commission clearance to construction of a hydroelectric dam in the Connecticut river at Enfield Rapids. The New England Electric System has stated that when its current construction program is completed, "practically all the hydroelectric potentialities of this river from the Canadian border to the Massachusetts line" will have been utilized.

OUT in the Northwest the Columbia Basin Interstate Compact is in the very early stages of formation. The states of Oregon, Montana, and Wyoming have general statutes which provide for appointment of compact commissioners but enabling acts had to be passed by Idaho, Nevada, Utah, and Washington. The latter had its bill prepared for presentation and it is believed that the other states are also taking this step.

The main objectives are to reach an agreement on the distribution and uses of the waters of the Columbia river and its tributaries. This will entail not only the allocation of waters as between the states for various purposes, but also brings up the problem of credit to be allowed upstream states for storage of waters for the benefit of downstream states.

The group was formed at a meeting held in Spokane in July, 1950. Further meetings were held in Boise, in October, and in Portland on December 11th of that year.

At the latter meeting, Howard R. Stinson, regional counsel of the Bureau of Reclamation at Boise, outlined the following points as to what a compact might contain:

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1. It should deal with allocations of water between states.

2. Provide for a continuing commission with continuing functions such as an active speaking group for signatory states.

3. Provide for blocks of power reservations for the states.

4. Possible payments in lieu of taxes on projects.

6. Meet states' rights problems head on by general, nation-wide legislation.

THIS is in contrast to the thinking of Incodel as to a compact. The Delaware group recommended that their project be financed, constructed, and controlled by an administrative agency representing and directly responsible to the people of the states in which the project is located and which the project will serve.

Francis A. Pitkin, director of the Pennsylvania Planning Board and chairman of Incodel, says this is a marked departure from the course being generally followed in other sections of the country, particularly the South and the West, of handing jobs over to the Federal government, which he describes as a practice which is gradually destroying the doctrine of self-government and grossly inequitable to the East.

"This undesirable situation should be promptly corrected," says Chairman Pitkin. "Adoption of the proposed water project by the states of

Pennsylvania, New York, New Jersey, and Delaware would be a long step toward the attainment of that objective. By such action the Delaware basin states would not only be providing a tremendous public service for their own citizens but, at the same time, would be setting a splendid pattern for a sound water policy for the entire nation."

The governors and legislatures of the four states have been asked by Incodel to create a commission which would finance and construct the \$564,000,000 project. It was recommended that the legislatures adopt this program:

1. Approve and adopt the project in principle.
2. Enact an interstate compact creating a 4-state administrative agency to be known as the Delaware River Basin Water Commission.
3. Empower and direct the commission to proceed with the project.

POSSIBILITIES as to differences between the states should be lessened by the fact that a decree of the Supreme Court in 1931 set a pattern for the allocation of water from the Delaware. In addition the Court retained jurisdiction in relation to any further controversy. In this instance New Jersey had opposed water diversion by New York city. Some opposition to the compact has been encountered, however, from those op-



E"ENGINEERING investigations of the Delaware project have been completed. It is estimated that a period of approximately ten and a half years will be required to plan and construct the project and to bring it into operation after the necessary legislation is passed and an interstate commission is organized."

INTERSTATE COMPACT DEVELOPMENT OF RIVER BASINS

posed to an increased diversion to New York.

Engineering investigations of the Delaware project have been completed.

It is estimated that a period of approximately ten and a half years will be required to plan and construct the project and to bring it into operation after the necessary legislation is passed and an interstate commission is organized.

Including interest on money borrowed during construction, total cost of the project is estimated at \$586,000,000 to \$643,000,000, depending on the type of project finally agreed upon.

The computations are based on an interest rate of 2½ per cent, on the assumption that the construction would be financed through public sale of long-term bonds and that no return would be received until the project is completely finished. The report points out that, during the construction period, the project could be financed by short-term, 3-year, anticipation notes which would effect a saving of approximately \$18,000,000 to \$19,000,000 in interest charges.

THE report recommends that the proportion of the project to be utilized for stream flow regulation should be financed by the signatory states, with aid from the Federal government commensurate with benefits which are customarily considered to be in the national interest. It is stated that the beneficial effects of stream flow regulation on navigation, flood control, salinity control, pollution abatement, recreational facilities, and protection of fish, forests, wild life, and

other natural resources, constitute the basis for justification for Federal government participation in the project.

THE New York State Water Power and Control Commission meanwhile has approved an application of the city of New York for permission to take an additional water supply of approximately 285,000,000 gallons a day from the West branch of the Delaware river. Approval is contingent on Supreme Court approval. The project calls for construction of a 97 billion gallon water reservoir at an estimated cost of \$140,000,000. It would take about ten years to build.

Once the Incodel project is completed, the reservoir would become a part of Incodel. New York city appears to be proceeding independently, but actually this move is one of self-protection.

The over-all plan recommended by the Incodel survey, prepared by Malcolm Pirnie Engineers and Albright & Friel, Inc., consulting engineers, calls for construction in two stages.

Stage 1 of the project is comprised of the following elements:

1. A storage reservoir on the West branch of the Delaware river at Cannonsville, with a total capacity of 118 billion gallons. (Larger than the New York city project by 21 billion.) This reservoir would be used primarily for the purpose of furnishing water in order to increase low river flow in the entire length of the river.

2. A diversion dam on the main river near Barryville holding about 10 billion gallons. The major purpose of this dam will be to permit the diversion of flood flows for water supply and stream flow regulation.



What Incodel Stands for

"INCODEL is proud of its undertaking and its officials have been only too willing to meet with representatives from other areas to explain what it is doing. Problems are different in the various sections of the country, but Incodel believes that what it is doing will serve as a pattern for others, particularly as to local jurisdiction and private financing."

3. A storage reservoir with a total capacity of 278 billion gallons on the lower Neversink river and on Basher Kill, extending from Godeffroy to Phillipsport. The principal function of this reservoir will be to store the flood flows which are captured at Barryville and transported therefrom by tunnel connection between the two structures.

4. A transmission tunnel from the upper Godeffroy reservoir to New York city's existing main tunnels in Brooklyn. From this common transmission tunnel, connections would be made to the major water supply systems of northern New Jersey.

5. A storage reservoir on the main river at Wallpack Bend with a total capacity of 121 billion gallons. This reservoir is not included in an alternate "A" phase of Stage I. This alternate phase would provide stream flow

regulation equivalent to a minimum of 4,000 cubic feet per second at Trenton. Wallpack Bend reservoir, however, is included in an alternate "B" plan of Stage I, which provides stream flow regulation equivalent to a minimum of 4,800 cubic feet per second at Trenton.

TOTAL storage without Wallpack Bend is placed at 406 billion gallons and with this reservoir would be 527 billion gallons.

When a further additional supply, above the 465,000,000 gallons a day provided by Stage I, is required by northeastern New Jersey and New York city, it will be necessary to construct additional reservoirs.

When Philadelphia or the Philadelphia and southern New Jersey areas desire to obtain water from the integrated project, the optional Wallpack Bend reservoir will be needed.

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Total estimated annual costs of Stage I would range from \$23,319,400 to \$25,848,700.

A substantial annual revenue received from the sale of water, estimated in the neighborhood of \$18,000,000, would materially offset such annual costs. Also, from these totals would be deducted an estimated return on electric power of \$700,000 to \$1,000,000.

POWER developed from the water released at the proposed dam sites would be leased to, and operated by, locally established privately owned power companies.

The engineers have estimated that a total of about 16,000 kilowatts of firm power can be developed under the proposed water supply and stream flow project and would produce slightly more than 135,000,000 kilowatt hours of energy a year. They estimate that the cost of the power plant installation (exclusive of any charges against the cost of dam construction) would amount to about \$2,700,000.

Annual fixed charges and operating costs chargeable to this investment would be \$162,000 and the net return about \$700,000.

Only a small amount of hydro power is now being generated in the basin. There are 17 existing plants, most of which have a capacity of less than 100 kilowatts. Their combined capacity is about 80,000 kilowatts.

Largest single hydroelectric power development is the Lake Wallenpaupack plant of Pennsylvania Power & Light Company, with a capacity of 40,000 kilowatts. Second largest is the Mongaup river development owned by Rockland Power & Light Company, with a capacity of 30,000 kilowatts.

Incoel is proud of its undertaking and its officials have been only too willing to meet with representatives from other areas to explain what it is doing. Problems are different in the various sections of the country, but Incoel believes that what it is doing will serve as a pattern for others, particularly as to local jurisdiction and private financing.

"In the family budget, the purchasing agent is unable to buy every commodity and service which might be deemed worth while. In the nature of things, budget making involves selection and rejection.

"Those in government have been weak in deciding what less essential activities to give up in order to make room for new and extraordinary expenditures, including those growing out of the cold war.

"In the circumstances, it would be timely for government officials to transfer to private capital those activities which it is capable of carrying on efficiently. This would relieve the burden on the government budget. In view of the crisis, this is no time to socialize those activities hitherto carried out for the account and risk of private investors."

—M. S. RUKEYSER,
Columnist.



Man Power—The Industry's No. 1 Problem

With the draft eating up man power in every line of industrial enterprise, those industries requiring specialized training, such as public utilities, are confronted with a serious challenge. The author endeavors to formulate some practical advice on how industry can meet this problem.

By CHARLES FURCOLOWE*

“WAR OR NO war, we are certain to have man-power shortages during the year we have just entered,” said a writer in the February 1st issue of PUBLIC UTILITIES FORTNIGHTLY.¹

Developments during the year's first quarter have already proved the truth of this statement. With recent Selective Service draft calls running at an alarming 80,000-men-a-month rate, in fact, the situation has become much more serious than could have been foreseen at the beginning of the year,

*For personal note, see “Pages with the Editors.”

¹“Planning Now for Future Man-power Shortages,” by Ernest W. Fair, PUBLIC UTILITIES FORTNIGHTLY, Volume XLVII, No. 3, February 1, 1951.

JULY 5, 1951

for utilities as well as for other segments of American industry.

The seriousness of the current situation is indicated in the statement of a leading labor relations authority, who predicts that “man-power problems recalling those of the critical days of 1942-1945 are in store for every branch of industry.”

That the utilities are not excepted is plain from the developments of the past few months, when gas, electric, and telephone firms alike all found themselves hit by Selective Service call-ups, not to mention the man-power drain resulting from the demands of military reserve units, the National Guard, and of other industries, many of which are in a posi-

MAN POWER—THE INDUSTRY'S NO. 1 PROBLEM

tion to lure men into employment offices with offers of higher pay, greater opportunities for advancement, and various other inducements which many utilities cannot match.

In such a situation, obviously, it behooves the utility firms, with a few exceptions, to boost man power up to the top of the list of problems requiring diligent attention. Furthermore, because of the constantly tightening man-power pinch, it is a problem that demands attention *now*, not some time during the year, as was the case a few months ago.

THIS growing man-power drain is beginning to hit a wide range of jobs in both public and private utilities. Some sections of the country are being hit harder than others, and some companies are being hurt more than other plants in the same area. The problem is a local one, and no blanket remedial formulas will apply to all companies in the industry. Some firms, for example, have undertaken major expansion programs in recent years, and are consequently losing various semiskilled and skilled workers who have not been on the job long enough to be regarded as truly "indispensable."

Other companies will find their major replacement problem centered around unskilled workers—the semiskilled and skilled employees in most of these cases are men of several years' experience, and, generally, above draft age. These firms, obviously, are in a much better man-power position. Thus some gas companies are not yet losing many of such skilled and semiskilled workmen as oven operators, water gas operators, pump-

ing station operators, truck chauffeurs, by-products operators, or journeymen mechanics. The situation in other firms is more critical.

Similarly, some electric utilities are suffering more than others in the following categories: linemen, control room and boiler operators, substation and switchboard operators, stoker operators, and splicers. The same goes for the telephone industry, where test men, linemen, repairmen, installers, etc., are in more danger in some firms than in others.

THE seriousness of the situation in any one company cannot be determined until, as suggested in the February 1st issue, a survey of all male workers is undertaken, to learn their age, draft status, utility experience, etc.

In conjunction with this phase of the program, incidentally, it is a good idea—now more than ever—to make a separate classification which will list employees' hobbies and side-line pursuits—they may be indicative of hidden talents which can prove useful in various operations. The recent high school grad with a "handy-man" knack may be a good telephone or electric line-gang prospect; the generator operator who spends his spare-time hours officiating at local football and basketball games may possibly possess the leadership abilities required for generating plant supervisory operations. And so on.

Since, wherever possible, any man-power replacement program should begin within the company—promoting draft-exempt employees to jobs vacated by departing workers—training programs should begin well in ad-



Successful Recruiting of Man Power

"REGARDLESS of what man-power pools are tapped, no recruitment program will succeed unless it is carried on in conjunction with an advertising and publicity campaign which will spread the word that jobs are becoming available, and that applicants are not only welcome but wanted. This is rapidly becoming one of the most important phases of the utilities' labor problem."

vance of the time when employees may be expected to leave. In most cases, this means *now*. For best results, too, the training process should start with those who are to do the training. Don't leave it entirely up to the present occupant of a job to teach his successor—a man may know a job himself and not be competent to convey his know-how to another.

IT is a good practice to select trainees on the basis of a series of interviews. Work from a prepared list of questions, which will yield information about employees' hidden skills, special interests, etc. These sessions can also help resolve any seniority problems, and will frequently turn up new worker prospects among employees' friends or relatives. The interviews should also be used to let prospective trainees know what job opportunities are in the wind, how much they pay, etc.

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Wherever possible, workers chosen for promotion should be permitted to perform their new duties for a few hours a day before they actually undertake to handle the job completely. This will give them a chance to get the feel of the operation, and will enable supervisors to observe them "in action." Most important, it puts them under the direct supervision of the "old hand," who is more familiar with the details of the job than anyone else.

While promotion from within is the ideal way to fill employment, by itself it will scarcely be sufficient to solve today's pressing man-power problem. As previously pointed out in these pages, outside sources must also be called upon. In addition to the three mentioned in the February 1st issue (physically handicapped and over-age workers and teen-agers), there are five separate "outside" labor pools:

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MAN POWER—THE INDUSTRY'S NO. 1 PROBLEM

groups; (2) refugee workers; (3) women; (4) part-time workers; and (5) former employees. With labor becoming more scarce daily, utility employers should start tapping these additional pools at once. Let's consider them one by one.

MINORITY workers are often the first group to be laid off in times of depression, as thousands of Negro workers can testify from bitter experience. When labor is scarce, on the other hand, they form a large body of work recruits — for those companies which don't wait too long. Many minority group members are now at work; others are available for employment. In general, they are a fairly well educated and intelligent group, and make steady, conscientious workers.

Refugee workers are another good additional source of recruits. Industry already employs many of the displaced; many more may be reached through various local welfare organizations which deal with refugee problems. As a rule, this group, too, is above the average in education and intelligence, and is composed largely of safe, dependable workers. Frequently denied employment in times of stress, they are eager to prove themselves when given the opportunity.

Women, obviously, are not as valuable labor replacements in the utility industry as they are in many other fields. Today, however, it is necessary to consider them, too, in the replacement program. Remember that during the war they handled a wide variety of industrial jobs which were formerly regarded strictly as men's work: laborers, welders, lathe and

drill press operators, etc. In addition to office work, the utilities can call on them for testing jobs and any other operation which does not require any great physical strength.

PART-TIME workers may also make excellent replacements as the manpower pinch grows ever tighter. This group is largely composed of housewives, college students, and high school pupils. In the case of the latter, it is advisable to discuss the situation with local school principals. Give them the details concerning the jobs that will need to be filled, wage rates, etc., and they'll co-operate both in setting up training courses and in working out mutually satisfactory schedules.

The fifth source of recruits is made up of former employees, many of whom may be available for re-employment. A check of your war-time rolls, followed by a letter notifying ex-workers that job applications are again welcome, will frequently bring good results, particularly since many former employees will probably still have friends in the company, and, depending upon their former treatment, will be well disposed toward the firm as a place to work. Don't wait for them to apply for jobs, however. Seek them out *today*, before other companies recruit them.

REGARDLESS of what manpower pools are tapped, no recruitment program will succeed unless it is carried on in conjunction with an advertising and publicity campaign which will spread the word that jobs are becoming available, and that applicants are not only welcome but wanted. This

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is rapidly becoming one of the most important phases of the utilities' labor problem. Start your own program now, before it is too late. There are four basic techniques which will attract job seekers:

1. Newspaper and Radio Advertising. Help wanted ads in local papers, of course, are a "must." But make them as detailed and informative as possible: list job requirements, wages, insurance, and other benefits offered, working conditions, overtime rates, etc. And don't overlook out-of-town papers, which will often be more productive than the local papers, especially in sections where labor scarcities may not be quite so tight. Spot radio announcements are also effective.

2. Word - of - mouth Advertising. There are few better methods than person - to - person communication. Contact local churches, clubs, and heavy-traffic business establishments, such as gasoline stations, diners, etc. Simply let it be known that jobs are available and ask them to spread the word. Utilities, by the way, are in a good position to reach prospects throughout the community by inserting—with gas, electric, and telephone bills—brief notices concerning employment opportunities.

3. Newspaper and Magazine Publicity. Published articles about the company, its history, its officials, etc.,

are an excellent means of making the firm better known in the community. Such stories should, of course, get across the idea that job-seekers are wanted.

4. Present Employees. In many respects, company employees will prove to be the best of all recruiting agents, particularly if offered inducements such as bonuses for producing the greatest number of applicants, a practice frequently resorted to during the war. Merely see to it that workers are well briefed about forthcoming job openings, pay scales, and advancement prospects and they'll carry the news swiftly to all parts of the city.

THE final phase of the recruitment drive should be centered, not in seeking new workers, but in making the fullest possible use of present employees. This entails the maintaining of morale at a high level, which can best be done by discovering and solving labor problems *before* they become grievances. This involves, first of all, a thorough employee attitude survey, to determine what workers are thinking. Properly handled, such a survey will achieve a fivefold purpose:

1. It will notify executives whether or not employee dissatisfactions exist and what they consist of.
2. It will reveal the cause of the dissatisfactions.
3. It will reveal flaws in the communications setup which prevented the

“A CONTENTED employee is an informed employee. It has been estimated that from 25 per cent to 50 per cent of all employee dissatisfactions originate in poor communications systems. Workers who have a sense of ‘belonging’ . . . seldom seek other employment. The way to keep them that way is simply to keep them informed.”

MAN POWER—THE INDUSTRY'S NO. 1 PROBLEM

conditions complained of from coming to supervisors' attention earlier.

4. It will indicate remedies, to prevent the development of similar dissatisfactions in the future.

5. It will turn up any weaknesses that may exist in over-all personnel policies and operating procedures.

THE attitude survey generally finds that employee grievances are bred by the following four factors: (1) poorly organized operating conditions; (2) inefficient supervision; (3) dissatisfaction concerning over-all management policy; and (4) poor communications. Let's look at each one separately.

Operating problems invariably breed worker discontent. Poor scheduling, unsatisfactory arrangements for storing supplies, obsolescent equipment, insufficient help, and excessive absenteeism on the part of some employees all contribute to lowered morale and higher turnover. A careful check into such conditions will pay off, laborwise.

The attitudes and capabilities of supervisors have a strong influence on the morale of their subordinates. When foremen are "too busy to supervise," when they lack sufficient authority, when they "play favorites," when they fail to heed complaints or answer questions adequately, or when they are "drivers rather than leaders," trouble is in the offing—and employees begin scanning want ads.

Policy dissatisfactions are a third

grievance producer—and an important cause of high turnover. To keep employees on the job, see that policies are not only fair but understood. Workers also like to know the reasons behind a particular policy, and want to be kept posted concerning future plans and projects, operating costs and problems, the comparative situation between private and public utilities in a region, etc.

THIS ties up directly with the fourth principal source of employee grievances: faulty communications. A contented employee is an informed employee. It has been estimated that from 25 per cent to 50 per cent of all employee dissatisfactions originate in poor communications systems. Workers who have a sense of "belonging," who feel secure in their jobs, seldom seek other employment. The way to keep them that way is simply to keep them informed. Tell them—via bulletin boards, plant newspapers, etc.—what's going on in the company. Tell them the truth about rumors which frequently circulate, the reasons for a change in policy, the details about their advancement prospects, etc. And keep the communications chain a two-way operation, so they can pass suggestions upward when they want to.

Good communications are the key to a stable work force. In the present emergency, nothing is more essential to the utility industry.

¶ *"If we mean to survive we must steer between the Scylla of complacency with 'business as usual' and the Charybdis of nerve-jangled war phobia. Either of these extremes would lead to disaster."*

—EDITORIAL STATEMENT,
Chicago Journal of Commerce.



Washington and the Utilities

Tax Benefits for Utilities

ON June 13th it was disclosed that the Defense Production Administration had finally approved the first series of tax amortization certificates to go to the electric utilities. These tax benefits for defense plant expansion had been long awaited. Until that time no other branch of the utility family, except the railroads and some other carriers, had obtained tax certificates.

There were twenty-nine certificates in the first group of electric utility applications approved, and it was understood that more would be along soon. It was noted, however, that the percentage of defense plant investment allowed was exceptionally low in the electric utility certificates, as compared with the railroads. Some of the railroad applications had been approved by DPA in the order of 80 per cent.

In fact, the general average of all defense plant tax certificates approved up to that date had been in the neighborhood of 72 per cent. Electric utility approval averaged about 42 per cent over-all.

The reason for this, probably, was the relatively high degree of longer useful life which electric plant facilities were regarded as having by the DPA. Those companies obtaining these certificates will be able to write off the allowed proportion of cost for the new facilities for income tax purposes over a 5-year period, instead of the much longer depreciation period. The certificates were processed and recommended by the Defense Electric Power Administration of the Interior Department. One of the features noted in the first certificates issued was recognition of the fact that less economical facilities might sometimes be neces-

sary to speed up the availability of power for defense purposes.

So far, tax certificates for gas and telephone companies have not yet been issued. But now that the ice has been broken with regard to the electric utilities, some of the other utility certificates may soon come through. It is understood around DEPA headquarters about 200 electric utility applications in all had been made for tax amortization benefits. No estimate of the total number requested for gas or telephone were readily available.

Chapman's Double Rôle

ONE of the anomalous features of tax amortization benefits for the utilities is the rôle played by Secretary of Interior Chapman. The Interior Department is the claimant agency for both the Defense Electric Power Administration and the Petroleum Administration for Defense which administer emergency controls for the electric and gas utilities, respectively. Thus, Chapman is in the somewhat unusual position of having some say as to what plants the utilities might be able to build, as well as the recommendations (by DEPA and PAD, respectively) on the amount of amortization benefits which might be allowed.

Even more anomalous is the position Chapman has taken before congressional committees considering the extension of the Defense Production Act. First of all, Chapman thinks that tax amortization benefits which the government has been allowing have been too large. He thought the limit ought to be 50 per cent (as compared with the average of 72 per cent at the time he made his statement).

WASHINGTON AND THE UTILITIES

But Chapman, as well as other administration officials, is in favor of new powers for the Federal government to build or operate defense plant facilities, if necessary.

It is known, for example, that Interior has been complaining about the petroleum industry holding back on the building of aviation gas refineries. The Bureau of Mines would like the Federal government to get into synthetic liquid fuel production. Then there are those sections of the administration's bill to amend the Defense Production Act to give the government the powers, already noted, for direct adventures into production operation. So, the Interior head might even have a third rôle, if such a law were passed—that of possible competitor in addition to arbiter of materials and advocate of tax benefits for the private utilities.

Of course, the administration supporters for more emergency control powers minimize the use of such authority (to build and operate steel mills, etc.). They insist they merely want it used as a birch rod to threaten private industry in case it does not expand defense plant fast enough. In other words, instead of providing incentive for industry with tax benefits, the new tack would be to goad industry with threat of government competition.

But the very phrase "birch rod" will make many an electric utility executive think back to the days when Congress was debating the original TVA setup. The birch rod of government authority to build power plants has been used so often since that early date that direct government operations in the electric power business have become expected as a rule of administration policy, rather than an exception to a rule.

New Constitutional Barriers

SPEAKING of government operations in the power field, Secretary Chapman has recently made some pretty frank comments about how government at-

torneys should justify such operations in the future. In a speech delivered in Chicago on June 4th to the Federal Bar Association, Secretary Chapman advised the government lawyers, in effect, to throw off the legal excuses of navigation, flood control, etc., by which Federal power plant expansion has been constitutionally justified to date.

The Interior Secretary referred specifically to the U. S. Supreme Court decision in the so-called "Gerlach Case," 339 US 725, decided last year. This was a suit for compensation by cattle raisers in California, because Friant dam now controls the waters of the San Joaquin river which used to overflow grasslands which have now become useless for lack of annual inundation. Government lawyers, in resisting compensation claims, went up to the Supreme Court, relying upon the commerce clause of the Constitution.

But the Court's opinion by Justice Jackson pointed to the advantage of using the much more comprehensive powers given to the Federal government under the "general welfare" clause of the Constitution. After examining this clause as authority for spending Federal funds, the Court made this sweeping statement, which Secretary Chapman seems to regard as virtually a new charter for Federal project expansion:

Thus the power of Congress to promote the general welfare through large-scale projects for reclamation, irrigation, or other internal improvement, is now as clear and ample as its power to accomplish the same results indirectly through resort to strained interpretation of the power over navigation.

COMMENTING on this, Secretary Chapman stated in his Chicago speech:

We seem, then, to have found new constitutional bearings in the field of water resource development. Moreover, we have probably found new constitutional bearings in the field of natural resource development generally. The constitutional principle

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PUBLIC UTILITIES FORTNIGHTLY

which the Supreme Court found in the Gerlach Case takes us far beyond the vision heretofore given us. How far it may lead, I do not venture to say. Even if it should be limited to the field of water resource development, the recent report of the President's Water Resources Policy Commission indicates that it is a vast field, indeed, that lies open to our efforts.

He concluded with advice to the government lawyers not to rely entirely upon the limitations of the commerce clause of the Constitution to an extent which might tend unnecessarily to narrow government operations. He added, however, that the use of the commerce clause was still very valuable as a legal justification for government controls.

FPC Panhandle Gas Decision

THE Federal Power Commission last month approved a form of tariff to be applicable to volumes of natural gas deliverable from the system of Panhandle Eastern Pipe Line Company, of Kansas City, Missouri, which will provide for "rolled-in" rates, demand, and commodity in form.

The commission, however, reserved decision on two related issues—the allocation among Panhandle's present and prospective customers of the gas which will be available upon completion of the Trunkline Gas Supply Company project and additional facilities on the Panhandle system, and Panhandle's proposal to export natural gas to Canada.

The FPC allowed thirty days for Panhandle and its customers to negotiate contracts under the principles approved by the order, and to file the contracts as exhibits with the commission. Customers who do not negotiate contracts during this period are to file sworn statements of the amounts of gas they are willing to purchase from Panhandle under the form of service agreement contained in the tariff.

The hearing will be reopened July 23rd to receive in evidence the contracts

and affidavits, and the commission will then take the record for the purpose of determining the export and the allocation questions.

The "rolled-in" form of rate approved by the commission means that the cost of the Trunkline Gas Supply Company gas will be included along with Panhandle's other costs; that is, the rates to be charged by Panhandle will be based on the total costs for all its gas supply and all its facilities. Panhandle is to receive nearly 250,000,000 cubic feet of gas daily from Trunkline upon completion of the latter company's Louisiana-to-Illinois transmission line.

The form of tariff prescribed by the commission contains the demand-commodity form of rates for firm service customers using more than 2,000,000 cubic feet of gas on a peak day, and a straight volumetric form for smaller customers. The tariff also provides for interruptible service rate schedules where-by priority of service is given to customers with storage facilities.

Wilson on the St. Lawrence

ELECTRIC power projects—public or private—which cannot get into production "in a hurry" have little chance of getting critical materials during the present emergency, according to Charles E. Wilson, Director of Defense Mobilization. At a Washington press conference recently, Wilson said the Office of Defense Mobilization is carefully weighing each project, with due consideration to the speed with which the project's generating capacity can be brought on the line. He said ODM was thinking of power needs in terms of "this year and next—not two or three years hence."

The ODM Director emphasized that ODM is giving its attention to such projects, "hydro, steam, or Diesel." Asked specifically if he would approve allocation of man power and strategic materials to the St. Lawrence and similar long-time projects during the emergency, the mobilization boss answered in the negative.

Exchange Calls And Gossip



A Hypothetical Young Man on The Fourth of July

JOHNNY JONES was born on July 4, 1930. He will be twenty-one this year, fresh out of college, and ready to face the world. Through the years, however, he has built up a dislike for certain segments of the American economy—segments which he calls big business, profit-takers, stockholders, and the like. He really does not know why. Just things he had heard at school, in smart books, and campus talk by self-appointed youth discussion leaders. He is a reasonable boy, but having heard only critical comments against "monopolies" he is almost sold on the idea that they must be everything that is said about them.

He reads the newspapers but generally skips over the stories about stockholders, comments by the presidents of those "big corporations," and bond issues. But the other day something in the paper caught his eye. That giant "monopoly," the American Telephone and Telegraph Company, had a party for an automobile salesman, his wife, and three boys—an automobile salesman from Saginaw, Michigan, by the name of Brady Denton. And why? Because this fellow bought some shares of stock in AT&T and became their one-millionth stockholder.

The story went on to say that the Dentons live in a modest brick and frame house in a pleasant old section of Saginaw. Denton used to be a brick salesman, insurance salesman, and also worked after school when he was younger. He played basketball in high school and belonged to the high school fraternity.

The story also told something about

the rest of the stockholders in this "giant corporation." They seem like pretty regular people, too. They are farmers, businessmen, clerks, mechanics, clergymen, merchants, teachers, housewives, doctors, lawyers, etc.

THE story also noted that no one stockholder holds as much as one-half of one per cent of the total stock outstanding. And it would take the combined holdings of the 80,000 largest stockholders, including institutional holders, to vote a majority of the outstanding stock. Individuals comprise 96 per cent of the stock list. Approximately 300,000 persons hold between one and five shares. More than half of the stockholders own 10 shares or less, and about 940,000 persons own less than 100 shares.

"That's a pretty democratic-sounding organization," thought Johnny.

Johnny found another story about this stockholder party and decided to read it too. It had to do with a speech that that former "big business" leader, Charles E. Wilson, now down in Washington, made in connection with this one-millionth stockholder.

"What's this," thought Johnny. "He says that he's from big business—and what's more he's proud of it."

The article read:

... I have been accused of coming from big business. . . . and I am proud of it. Tonight, as I have the honor to take part in this celebration, I am prouder of it than ever before. If it is an accusation to come from big business, I say, I plead guilty, now impose the sentence. I feel sure that the sentence of the American people would be, We

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sentence you to as many more years of productive work as you can put in producing things for our betterment at ever higher quality, at low prices as you have in the past, providing employment for the thousands of our sons and daughters who are coming along to join America's working force, and building ever more the economic might of the United States.

JOHNNY put down the paper for a thoughtful minute and went on to read:

I have a conviction that most of the people who so virulently attack big business have, themselves, an interest in big business. Either they have shares of stock or they have insurance policies—and insurance companies have heavy investments in the stocks of big business. . . . Yet these persons inveigh against the very institutions that afford them an income or security for the future. It is like the Communists who scream for freedom of speech but use it to overthrow the very democracy that assures that freedom.

"I've got an insurance policy," thought Johnny. "I wonder what big corporation I've invested in."

And then something down near the bottom of the page caught Johnny's eye. The Fourth of July always meant a little more personally because it was a double celebration day for him. Mr. Wilson had outlined the aims of the defense effort in his talk but the conclusion read:

And let us never forget that we are mobilizing now not just to protect our physical goods and chattels. Rather are we mobilizing to protect our even more priceless possessions of freedom and liberty. In just a few more weeks we shall celebrate the 175th anniversary of the signing of the Declaration of Independence. That Declaration with its historic principles, is as compelling upon us now as it was upon our forefathers. Let us now unite again in a heartfelt declaration, each man to his own conscience, a Declaration of Determination to cherish and

defend the blessings of liberty and democracy which made this nation great.

JOHNNY got to thinking: "Maybe I've prejudged fellows like Wilson and companies like AT&T. Maybe I ought to know a little more about them."

He turned the page and the following jumped out at him:

BELLS TO RING OUT ON THE FOURTH

He most certainly had to read about that. "It's about time they recognized this special day," he thought.

The article read:

Fifty-six famous and prominent Americans, including former President Herbert Hoover and General of the Army Douglas MacArthur, yesterday announced the formation of a Committee to Proclaim Liberty. This committee's purpose is to urge Americans to remember the spiritual foundations of this country and to celebrate July 4th with fitting religious observances.

"Who are these people?" thought Johnny glancing down the list. "Oh, oh! Some more big business. W. C. Mullen-dore, president of Southern California Edison Company; J. Howard Pew, chairman of the board, Sun Oil Company; Paul G. Hoffman, president, the Ford Foundation; D. A. Hulcy, president Chamber of Commerce of the United States; Bing Crosby."

"Bing Crosby, hmmm," muttered Johnny. "And there's Branch Rickey of the Pirates, Ronald Reagan, the actor, Walt Disney, and Dorothy Thompson. Gee, I know a lot of these people. Let's see what they plan to do."

He read on:

According to present plans, church bells will be rung in every city, hamlet, and crossroad of America. Clergymen of all denominations will preach sermons on Independence sabbath on the general theme of "Freedom under God." Citizens are urged to read again the preamble to the Declaration of In-

EXCHANGE CALLS AND GOSSIP

dependence wherein the words of the fundamental religious credo on which this nation was founded are contained.

Johnny read on. He was interested:

We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain inalienable rights, that among these are life, liberty, and pursuit of happiness.

HE then noticed that Mullendore, who is credited with the original idea, had some comment. He read:

I've been puzzling for years for the root cause of the disintegration of freedom in America. I finally believed that I had discovered the answer in the preamble to the Declaration of Independence. It is in the disintegration of the spiritual foundation for our freedom, it seems to me. . . .

Too often, we forget the spiritual foundation of the rights themselves and celebrate the formation of a government that is merely for their preservation and protection. The government did not give the rights and we must make sure that it does not deprive us of them.

Johnny put down the paper and thought: "This is pretty sound stuff. Why haven't I heard some of this before. Great day, that Fourth of July."

Editorial Comment on Millionth Stockholder

IN the Far West, the *San Francisco Chronicle* looked at the occasion this way:

This, we think, is the best possible refutation of the charge that the United States is democratic in name and form only; that it's actually in the tight grasp of a ruling industrial and financial clique.

If that were true, the directors and officers of a company like the AT&T would be inclined to run the company for their own benefit purely, and the

devil with such subordinate details as the quality, the efficiency, the economy of the operation.

But in this case—as in the cases of practically all the great American corporations—the directors and officers are required to accept their responsibilities as trustees of stockholders' interests, the stockholders being a very broad swath of the public itself.

The *Chicago Daily Tribune* took the occasion to quote Irving S. Olds, chairman of United States Steel, on the subject of corporation ownership:

The American Telephone and Telegraph Company recorded its millionth stockholder the other day. The purchasers who raised the number of its owners to that total were a young couple in Saginaw, Michigan, who are saving to provide college educations for their three sons, the eldest now six.

Recently Irving S. Olds, chairman of the United States Steel Corporation, said that the greatest hoax ever perpetrated on the American public is the phrase, "the privileged few," applied to the owners of American corporations. In simple honesty, he noted, demagogues who use it should say "the privileged millions." After allowance for duplications, arising from the fact that many investors own stock in more than one company, the best estimate is that 15,000,000 individuals have a share in the risks and profits of the half-million corporations that do most of the nation's business. AT&T is the first private company to have a million shareholders. General Motors has more than half a million, U. S. Steel more than a quarter of a million.

The *New York Herald Tribune* said:

We imagine that from now on Mr. Denton is going to keep a sharp eye on the financial page of the paper and that conversing on the phone is going to be more of a pleasure than ever. But heaven help the operator who gives Mr. Denton a wrong number. After all, she'll be talking to the boss.



Financial News and Comment

By OWEN ELY

Utilities Handicapped by Rapid Rise in Cost of Financing

WHILE the government bond market showed signs of stability several weeks ago, following the drastic liquidation after the Federal Reserve "pulled its pegs," apparently the big institutional sellers have been using all available funds for mortgage loans and business loans. While some Federal Reserve support has been in evidence at times, it now appears that this is merely a stabilizing factor. The short-term government market has made a better showing recently, and it is generally felt that when institutional mortgage commitments are taken care of, the long-term market may make a better showing. In any event, the Treasury was able to carry out its refunding operation of June 6th successfully. Some forecasters feel that in the last quarter of 1951 savings funds will again be flowing into institutional treasuries at a rate which will cause a good demand for long-term government and corporate issues.

In the meantime, however, utility borrowers, as well as the syndicates bidding for their issues, have found the going a little rough. New "A" utility bond issues have been coming out at successively higher coupon rates— $3\frac{1}{2}$ for the \$6,000,000 California-Oregon 30-year mortgage bonds and $3\frac{1}{4}$ for the \$3,000,000 Public Service of New Hampshire issue compared with a $3\frac{1}{4}$ per cent coupon in March for the Lake Superior District Power's, and earlier coupons for "A" issues as low

as $2\frac{1}{4}$. These recent high coupon issues were offered at premiums of two points or more, so that actual offering yields recently ranged from 3.40 to 3.60 per cent. (See table on page 46.) However, these offerings have been generally slow or unsuccessful (with the exception of the two latest offerings) and 3.55 per cent seems to be about the ruling rate currently for A's, with 3.35 per cent for Aa's.

IN general, therefore, interest rates appear to have advanced within the last year by nearly one per cent. In this connection it is unsafe for banking syndicates to frame their bids by comparison with quoted yields on similar securities—there is a very substantial spread between old and new issues, as indicated by the accompanying table (page 46) of average "listed" yields. In other words the

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FINANCIAL NEWS AND COMMENT

institutions are in a very choosy frame of mind and are only attracted to issues which are "real bargains" as compared with the general list.

The new issue market on debentures and preferred stocks has (temporarily) almost dried up. As indicated in our table of new financing, there has been only one important preferred stock offering since May 9th—the \$3,500,000 Idaho Power 4 per cent preferred stock offered June 5th, which was handled by a local underwriter, largely on an optional basis. More recently a small issue of Southeastern Public Service (20,000 shares of 6 per cent convertible preference stock) has been offered at \$27 per share to yield about 5.6 per cent by a group headed by Bioren & Co. of Philadelphia.

In the field of equity financing, the showing is much better. While the stream of new issues has slowed somewhat, there were three offerings in the first half of June aggregating about \$16,000,000 and four or five "rights" issues are currently being offered to stockholders.

IN our table of New Issues on pages 47 and 49 we have included for the first time the estimated earnings-price ratios which in some degree reflect the "cost of financing." Recent costs seem to have ranged around 9-12 per cent. Most of these figures have been derived from the price-earnings ratios contained in the monthly bulletins of utility financing issued by the Irving Trust Company. While these figures may not give a very accurate picture—since subscription offerings when underwritten are subject to careful statistical analysis to determine true money costs—they may be of interest as reflecting the general trend.

The over-all cost of financing at present would appear to be running over 6 per cent for some companies, as indicated by the following estimate:

	Per Cent Of Total	Est. Cost	Weighted Cost
Bonds	50%	3.50%	1.75%
Preferred Stock	15	5.00	.75
Common Stock	35	12.00	4.20
Total	100%		6.70%

Utilities Need Aid to Stimulate Preferred Stock Financing

THE utilities are currently encountering great difficulties in marketing preferred stocks, and the cost of such financing has increased sharply in recent years. The famous SEC "50-25-25" formula suggests that preferred stock financing should constitute one-quarter of all financing, but the proportion is far smaller. The "peak" of the new-issue market was reached in February, 1946, when Iowa Power & Light 3.30 per cent preferred stock was offered on a 3.25 per cent basis. Now even a high-grade issue could probably only be sold on a 4.25 or 4.50 per cent basis, indicating about a one-third increase in the cost of such financing.

Congress in the past has given some recognition to the difficulties of selling preferred stocks. Due to amendments to the Federal tax laws, corporate holders of operating utility preferred stocks issued after October 1, 1942, for new money purposes, are authorized to deduct a credit of 85 per cent of their entire income tax on the dividend received. Since little or no refunding can be done under existing market conditions, practically all preferred stock issues now enjoy this advantage, which gives them a net yield (to corporate holders) substantially above that of all issues marketed prior to October 1, 1942, as well as the refunding stocks issued since that date. While this special tax treatment has doubtless been of some value to the utilities, the tax provision is obscure, and it is difficult for the utilities to take full advantage of it in connection with their sales literature since the provision applies only to corporate buyers and not to individuals.

AT present there is a substantial advantage to the utility companies in issuing bonds and debentures instead of preferred stocks, since the interest is deductible in arriving at taxable income, while preferred dividends are not thus deducted. This may largely account for the relative unpopularity of preferred

PUBLIC UTILITIES FORTNIGHTLY

stock financing. In effect, the preferred stock dividends must be earned by the utilities more than twice (under the pending tax bill), the same as common stock dividends.

However, high-grade preferred stocks are really similar to long-term or perpetual debenture issues; they are usually cumulative and redeemable, and carry various protective features as do bond issues. In order to increase the advantage to utility companies of using this method of financing, and to reduce the relative tax advantages of debt financing, it would seem that Congress might well consider an amendment to the tax law which would permit preferred dividends to be a tax deduction similar to the interest on bonds and debentures.

In the twelve months ended March 30, 1951, all class A and B electric utilities paid preferred dividends amounting to \$114,000,000 out of net income of \$823,000,000. This compared with interest charges of \$264,000,000 and common dividends of \$516,000,000. Tax exemption of preferred dividends would obviously be a minor factor in so far as total Federal tax revenues are concerned—probably less than one-tenth of one per cent of the total—while their exemption would afford great encouragement to the utility industry to use this method of financing, which is in a "lame duck" position at present.

IN the *Commercial and Financial Chronicle* of June 14th, W. F. Stan-

ley, vice president and secretary of Southwestern Public Service Company, points out that under the impact of higher taxes there is a greater temptation for utility companies to finance through debt securities or bank loans, since interest is deductible before taxes are computed, while dividends are not. Citing the case of a typical utility, and commenting on the question of the relative advantages of issuing debentures or preferred stock, he stated:

Before Korea, debenture money probably cost about 3 per cent for such a company, with preferred costing about 4 per cent or perhaps a little more. Thirty-eight per cent taxes would have reduced the net cost of debenture money to 1.86 per cent so that the differential would have been about 2.14 per cent. In today's market debentures would probably cost 3.50 per cent (or more), which with an assumed tax rate of 52 per cent would be a net cost of 1.68 per cent, while preferred money would probably cost around 4.75 per cent, a differential of 3.07 per cent or 43 per cent greater than before Korea. . . .

This temptation, to turn to greater debt financing, and particularly to substitute debt for preferred stock, is greatly increased by the fact that dividends on new issues of utility preferred stocks are not deductible for income tax purposes, although preferred stock issued prior to October 1, 1942, is

CURRENT "YIELD YARDSTICKS"

	Recent	1951 Range		1950 Range	
		High	Low	High	Low
U. S. Long-term Bonds—Taxable	2.69%	2.70%	2.39%	2.42%	2.15%
Utility Bonds—Aaa	2.96	2.96	2.64	2.69	2.55
—Aa	3.03	3.03	2.70	2.74	2.63
—A	3.18	3.18	2.82	2.87	2.75
—Baa	3.43	3.43	3.21	3.21	3.14
Utility Preferred Stocks—High-grade ..	4.03	4.03	3.77	3.82	3.70
—Medium-grade	4.40	4.43	4.19	4.25	4.13
Utility Common Stocks	6.05	6.09	5.79	6.43	5.31

Latest available Moody indexes are used for utility bonds and preferred stocks; Standard & Poor's indexes for government bonds and utility common stocks.

FINANCIAL NEWS AND COMMENT

deductible under the present law to the extent of 31 per cent of the dividends paid. This differential between old and new preferred stock appears to be without rhyme or reason. Originally, the date limitation was inserted to prevent companies from taking advantage of the deductibility of the preferred dividends by recapitalization, etc., but the date has now obviously long ago outlived whatever usefulness it ever had.

A simple change in this date from October 1, 1942, to July 1, 1951, in the new tax law, with a provision for deducting dividends on subsequent issues where the utility could prove the preferred stock was issued for construction or some other bona fide purpose, would not only help utilities to absorb some of the impact of the higher tax rates, but tend as well to stimulate sales of preferred stock instead of unsecured debt securities, which are now entitled to the interest deduction. . . .

A change in the tax law either making preferred stock dividends fully deductible or at least permitting the present 31 per cent deduction to apply to preferred stock issued after October, 1942, would help substantially in removing a large part of the present differential in the net cost of selling preferred stock as compared with debt

securities and thus tend toward sounder capital structures for electric utilities.

New Tax Bill Cancels Federal "Electrical Energy" Excise Tax

LATEST reports indicate that the new tax bill approved by the House Ways and Means Committee, which the House is expected to enact shortly, has omitted for the first time in nineteen years the "electrical energy" tax, which applies against all residential and some commercial revenues (not industrial). It is not quite clear why this concession to the electric utility industry is being made at this time, and of course the omission may not survive in the final tax bill (which it is thought may be enacted in September). However, it is surmised that the step may have been suggested by the public power interests, since the private utilities have been making a strong plea that the tax should be applied to Federal power projects, and possibly advocates of Federal power felt that the best move would be to cancel the tax altogether.

If the bill is finally enacted in September, the tax omission would become effective October 1st, in time to serve as a

PRINCIPAL PUBLIC OFFERINGS OF ELECTRIC AND GAS UTILITY SECURITIES

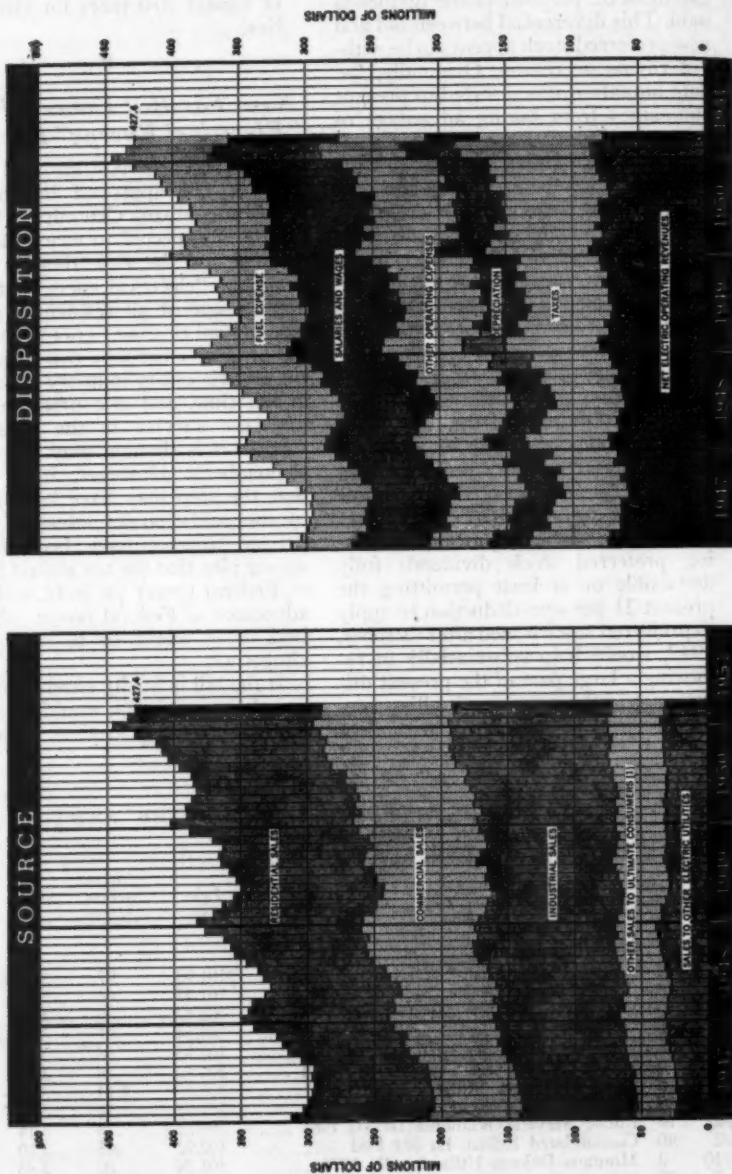
From March 8 to June 16, 1951

Date	Amount Mill.	Description	Price To Public	Under- writing Spread (Points)	Offer- ing Yield*	Moody Rating
<i>Mortgage Bonds</i>						
3/13	\$ 2	Lake Superior Dist. Pr. 1st 3½s 1981	\$101.93	.97	3.15%	A
3/29	40	Consumers Power 1st 3½s 1981	101.47	.66	3.05	Aa
4/5	10	Potomac Edison 1st 3½s 1981	101.42	.86	3.30	A
4/5	12	Worcester County Elec. 1st 3½s 1981	101.54	.91	3.17	Aa
4/18	35	Duke Power 1st 3½s 1981	101.93	.58	3.15	Aaa
4/19	4	Wisconsin Power & Light 1st 3½s 1981	101.42	.78	3.30	A
4/19	2	Mountain States Pr. 1st 3½s 1981	101.38	1.14	3.55	Baa
4/26	10	Monongahela Power 1st 3½s 1981	101.63	.54	3.29	A
4/27	10	Public Service Oklahoma 1st 3½s 1981	99.71	.78	3.14	Aa
5/2	40	Consolidated Edison 1st 3½s 1981	102.92	.65	3.10	Aa
5/10	3	Montana-Dakota Utils. 1st 3½s 1976	101.24	.80	3.55	Baa
6/7	20	Georgia Power Co. 1st 3½s 1981	101.87	.75	3.40	A
6/14	6	Calif.-Oregon Power 1st 3½s 1981	102.31	1.00	3.50	A
6/14	3	P.S. of New Hampshire 1st 3½s 1981	102.74	.93	3.60	A

PUBLIC UTILITIES FORTNIGHTLY

CLASSES A AND B PRIVATELY OWNED ELECTRIC UTILITIES IN THE UNITED STATES SOURCE AND DISPOSITION OF ELECTRIC OPERATING REVENUES

MARCH



Courtesy, Federal Power Commission

(Con)

Date

3/30

4/27

5/10

5/16

3/6

3/8

3/22

3/22

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FINANCIAL NEWS AND COMMENT

(Continued)

Date	Amount Mill.	Description	Price to Public	Under- writing Spread (Points)	Offer- ing Yield*	Moody Rating
<i>Debentures and Notes</i>						
3/30	2	Piedmont Nat. Gas 5½% Notes 1953**	\$ 52.00	2.00	—	—
4/27	4	Lynn Gas & Elec. 3½% Notes 1971	100.75	.64	3.07%	Aa
5/10	2	Montana-Dakota Utils. 1st 3½ Serial Bonds 1952/71	101.39a	1.15	2.50	—
5/16	50	Consol. Nat. Gas Deb. 3½s 1976	101.50	.63	3.50	Aaa
<i>Preferred Stocks</i>						
3/6	28	Transcontinental Gas Pipe Line \$2.55 Pfd.	\$ 52.00	2.00	4.90%	—
3/8	10	Virginia Elec. & Power \$4.20 Pfd.	102.50	1.60	4.10	—
3/22	3	Central Illinois E. & G. 4.75% Pfd.	100.00	1.90	4.75	—
3/22	4	Pennsylvania Power Co. 4.24% Pfd.	102.13	1.85	4.15	—
5/9	10	Tennessee Gas Trans. 5.10% Pfd.	102.00	3.50	5.00	—
6/5	4g	Idaho Power 4% Pfd.	100.00	2.25	4.00	—
<i>Common Stock—Subscription Rights</i>						
3/9	9	West Penn Electric	\$ 27.00	.28	7.41%	12.0
3/19	44	Pacific Gas & Electric	31.00	—	6.45	7.1
3/29	3	Washington Gas Light	24.10	.38	6.22	9.8
3/30	18	American Gas & Electric	52.25	(b)	5.74	8.7
4/2	16	Detroit Edison	20.00	(b)	6.00	8.3
4/5	4	Oklahoma Gas & Electric	19.75	(c)	6.58	8.2
4/9	2	Wisconsin Power & Light	16.30	.75	6.87	8.6
4/7	9	Duke Power	75.00	(b)	5.33	9.5
4/19	3	Montana-Dakota Utilities	14.50	.40	6.21	8.8
4/23	2	Minneapolis Gas	15.50	.60	6.84	7.6
5/3	7	Long Island Lighting	13.00	(c)	6.15	8.4
5/4	13	Ohio Edison	29.25	.27	6.83	9.4
5/9	2	Atlantic City Electric	19.00	(f)	6.31	8.1
5/24	4	Kentucky Utilities	14.50	.55	6.90	10.7
5/28	9	Virginia Electric & Power	19.00	.19	6.32	8.7
6/1	3	New England Gas & Electric	13.00	.26	7.70	10.2
6/12	6	Public Service of Colorado	22.75	.27	6.15	10.2
<i>Common Stocks—Other New Money Sales</i>						
3/21	7	Carolina Power & Light	\$ 32.88	1.20	6.08%	9.0
3/21	8	Middle South Utilities	18.13	.58	6.62	9.7
4/4	11	Southern Company	11.38	.39	7.03	9.3
4/10	10	Tennessee Gas Transmission	24.00	1.25	5.83	6.9
4/12	2	Mountain States Power	11.00	.43	7.64	11.0
4/19	4	Columbus & Southern Ohio Electric	20.75	.85	6.74	9.8
4/24	19	Pacific Lighting	52.00	1.75	5.77	9.6
4/25	4	Gulf States Utilities	22.25	1.00	5.39	7.7
5/15	7	Illinois Power	33.63	1.30	6.54	12.5
6/6	6	Calif.-Oregon Power	24.25	1.15	6.60	10.3
6/12	4	Kansas Power & Light	16.00	na	7.00	10.4

*Yield to maturity on bonds. **With common stock. na—Not available. a—Average. b—Not underwritten. c—Not underwritten, but concession to dealers. f—Underwriters' commission 1½ cents on all shares plus 45 cents on unsubscribed shares (issue oversubscribed). g—Three million dollar option to underwriters.



partial antidote to the anticipated higher Federal income taxes. However, since the tax on electrical energy is currently deducted before arriving at taxable income, the utilities would save only about half

the tax. It is difficult to make an estimate of potential savings until further data are available, but one utility official estimates that it might amount to about a 4 per cent increase in common share earnings.

PUBLIC UTILITIES FORTNIGHTLY

Consolidated Edison of New York is one of the few utilities which publishes a detailed tabulation of its tax payments. In the 1950 report the amount of the Federal tax on electrical energy was reported to be \$7,375,000, which was a little less than 2 per cent of gross revenues. Omission of the tax would apparently increase share earnings by about 21 cents per annum, of which some 7 cents might

be obtainable in the last quarter of 1951. The saving would, it is estimated, offset about two-thirds of the increase in Federal income taxes resulting from the proposed change in the tax rate from 47 per cent to 52 per cent. However, Consolidated Edison is in a more favorable position to benefit than most utilities, because of its large proportion of residential and commercial revenues.



FINANCIAL DATA ON ELECTRIC UTILITY STOCKS

		6/13/51 Price About	Indicated Dividend Rate	—Share Earnings*— Approx. Yield			Cur. Period	% In- crease	Price- Earn. Ratio	Dividend Pay-out
Revenues \$50,000,000 or over										
S	American Gas & Elec.	55	\$3.00	5.5%	\$4.68a#	21%		11.8	64%	
B	Boston Edison	44	2.80	6.4	3.11m	5		14.1	90	
S	Central & South West	14	.90	6.4	1.44m	1		9.7	63	
S	Cincinnati G. & E.	35	2.00	5.7	2.95m	8		11.9	68	
S	Cleveland Elec. Illum.	45	2.40	5.3	3.63m	19		12.4	66	
S	Commonwealth Edison	28	1.60	5.7	2.18m	7		12.8	73	
S	Consol. Edison of N. Y. ...	31	2.00	6.5	2.44m	13		12.7	82	
S	Consol. Gas of Balt.	25	1.40	5.6	1.85m	8		13.5	76	
S	Consumers Power	33	2.00	6.1	2.90a	20		11.4	69	
S	Detroit Edison	22	1.20	5.5	1.85a	13		11.9	65	
C	Duke Power	85	4.75	5.6	7.46m	D15		11.4	64	
S	General Pub. Util.	18	1.20	6.7	2.11m	2		8.5	57	
S	Middle South Util.	18	1.20	6.7	1.76m	12		10.2	68	
S	New England Elec. System.	12	.80	6.7	1.35m	—		8.9	59	
S	N. Y. State E. & G.	27	1.70	6.3	2.18a	5		12.4	78	
S	Niagara Mohawk Power ..	21	1.40	6.7	1.95m	D4		10.8	72	
S	North American	18	1.20	6.7	1.43m	4		12.6	84	
S	Northern States Power ...	10	.70	7.0	.93m	D10		10.8	75	
S	Ohio Edison	32	2.00	6.3	3.00a	10		10.7	67	
S	Pacific G. & E.	33	2.00	6.1	2.09m†	9		15.8	96	
S	Penn Power & Light	27	1.60	5.9	2.36a	11		11.4	68	
S	Philadelphia Electric	27	1.50	5.6	2.27m	13		11.9	66	
S	Pub. Serv. E. & G.	22	1.60	7.3	2.06d	D8		10.7	78	
S	So. Calif. Edison	33	2.00	6.1	2.82m	D6		11.7	71	
S	Southern Company	11	.80	7.3	.99a	D2		11.1	81	
S	Texas Utilities	26	1.28	4.9	2.36a	7		11.0	54	
S	Virginia Elec. & Power	20	1.20	6.0	1.90a	19		10.5	63	
S	West Penn Elec.	28	2.00	7.1	3.26a	14		8.6	61	
S	Wisconsin Elec. Power	20	1.20	6.0	1.86a	8		10.8	65	
Averages				6.2%				11.4		
Revenues \$25-\$50,000,000										
S	Carolina P. & L.	33	\$2.00	6.1%	\$2.97a	12%		11.1	67%	
O	Central Ill. P. S.	17	1.20	7.1	1.62m	16		10.5	74	
O	Connecticut L. & P.	15	.90	6.0	1.03a	10		14.6	87	
S	Columbus & S. Ohio Elec. .	21	1.40	6.7	2.22m	D11		9.5	63	
S	Dayton P. & L.	33	2.00	6.1	2.92m	13		11.3	68	
S	Florida P. & L.	22	1.40	6.4	2.44m	10		9.0	57	
S	Gulf States Util.	21	1.20	5.7	1.73a	7		12.1	69	
S	Houston L. & P.	17	.80	4.7	1.30a	5		13.1	62	
S	Indianapolis P. & L.	31	1.80	5.8	3.32m	39		9.3	54	
S	Illinois Power	35	2.20	6.3	3.05a	8		11.5	72	
S	Kansas City P. & L.	25	1.60	6.4	2.14a	9		11.7	75	
S	Kansas Pr. & Lt.	16	1.12	7.0	1.67d	13		9.6	67	

FINANCIAL NEWS AND COMMENT

(Continued)

	6/13/51 Price About	Indicated Dividend Rate	Share Approx. Yield	Earnings* Cur. Period	% In- crease	Price- Earnings Ratio	Dividend Pay-out
S Long Island Lighting	15	.80	5.3	1.32m	18	11.4	61
S Louisville G. & E.	33	1.80	5.5	3.08m	D1	10.7	58
S Montana Power	23	1.55	6.7	2.61m	—	8.8	59
O New England G. & E.	14	1.00	7.1	1.46a	11	9.6	68
O New Orleans Pub. Ser.	40	2.25	5.6	2.85a	D3	14.0	79
O Northern Ind. P. S.	21	1.40	6.7	2.23a	13	9.4	63
S Oklahoma G. & E.	20	1.30	6.5	1.68m	D2	11.9	77
S Potomac Elec. Power	14	.90	6.4	.96m	4	14.6	94
S Pub. Serv. of Colo.	25	1.40	5.6	2.34m	2	10.7	60
S Pub. Serv. of Ind.	28	1.80	6.2	2.54a	13	11.0	71
O Puget Sound P. & L.	16	.80	5.0	1.86m	3	8.6	43
S Rochester G. & E.	34	2.24	6.6	2.93m	33	11.6	76
O San Diego G. & E.	13	.80	6.2	1.15a	2	11.3	70
S Toledo Edison	10	.70	7.0	.97m	NC	10.3	72
O West Penn Power	35	1.80	5.1	2.46m	27	14.2	73
Averages			6.1%			11.2	

Revenues \$10-\$25,000,000

S Atlantic City Elec.	20	\$1.20	6.0%	\$1.68a	7%	11.9	71%
C California Elec. Pr.	7	.60	8.6	.61m	D27	11.5	98
O Calif. Oregon Power	24	1.60	6.7	2.49a	17	9.6	64
O Central Ariz. L. & P.	12	.80	6.7	1.00a	D7	12.0	80
S Central Hudson G. & E.	10	.60	6.0	.73m	14	13.7	82
O Central Ill. E. & G.	24	1.30	5.4	2.42m	6	9.9	54
S Central Ill. Light	33	2.20	6.7	2.88a	13	11.5	76
O Central Maine Power	17	1.20	7.1	1.61my	9	10.6	75
O Connecticut Power	36	2.25	6.3	2.59m	10	13.9	87
S Delaware P. & L.	22	1.20	5.5	2.02m	3	10.9	59
S Florida Power Corp.	18	1.20	6.7	1.57m	D3	11.5	76
C Hartford Elec. Light	46	2.75	6.0	2.96d	3	15.5	93
S Idaho Power	35	1.80	5.1	2.62m	D9	13.4	69
O Interstate Power	8	.60	7.5	.81m	D8	9.9	74
O Iowa Electric L. & P.	14	.90	6.4	1.41a	D4	9.9	64
O Iowa Pub. Service	19	1.20	6.3	1.86a	D21	10.2	65
S Iowa-Illinois G. & E.	26	1.80	6.9	2.49m	D8	10.4	72
S Iowa Power & Light	21	1.40	6.7	1.84m	2	11.4	76
O Kansas Gas & Elec.	33	2.00	6.1	3.19a	11	10.3	63
O Kentucky Utilities	15	1.00	6.7	1.77m	31	8.5	56
S Minnesota P. & L.	30	2.20	7.3	3.41a	4	8.8	65
C Mountain States Power ...	11	.84	7.6	1.42m	16	7.7	59
O Otter Tail Power	20	1.50	7.5	2.14a	26	9.3	70
O Pacific P. & L.	14	1.10	7.9	1.59m	22	8.8	69
O Portland Gen. Elec.	27	1.80	6.7	2.72a	7	9.9	66
O Public Service of N. H. ...	23	1.80	7.8	1.85a	D7	12.4	97
S Scranton Elec.	14	1.00	7.1	1.18a	4	11.9	85
S So. Carolina E. & G.	8	.60	7.5	.63m	D36	12.7	95
S Southern Indiana G. & E. ...	21	1.50	7.1	2.17m	1	9.7	69
O Southwestern Pub. Ser. ...	16	1.12	7.0	1.24m	4	12.9	90
C Tampa Electric	36	2.40	6.7	3.29a	3	10.9	73
O United Illum.	43	2.40	5.6	2.84d	6	15.1	85
S Utah Power & Light	28	1.80	6.4	2.79a	12	10.0	65
O Western Mass. Cos.	32	2.00	6.3	2.70d	2	11.9	74
O Wisconsin P. & L.	16	1.12	7.0	1.52m	2	10.5	74
Averages			6.7%			11.1	

Revenues \$5-\$10,000,000

O Arkansas Missouri Power .	13	\$1.00	7.7%	\$1.58m	20%	8.2	63%
O Central Louisiana Elec.	27	1.80	6.7	2.62m	NC	10.3	69
O Central Vermont P. S.	11	.76	6.9	.93a	8	11.8	82
C Community Pub. Ser.	13	.90	6.9	1.24m	D10	10.5	73
O El Paso Electric	35	2.00	5.7	3.46a	4	10.1	58

PUBLIC UTILITIES FORTNIGHTLY

(Continued)

	6/13/51 Price About	Indicated Dividend Rate	Share Earnings* Appros. Yield	Cur. Period	% In- crease	Price- Earnings Ratio	Dividend Pay-out
S Empire Dist. Elec.	18	1.40	7.8	1.97m	D15	9.1	71
O Iowa Southern Util.	16	1.20	7.5	1.85a	D2	8.6	65
O Lawrence G. & E.	36	2.85	7.9	3.10d	6	11.6	92
O Lynn G. & E.	31	2.00	6.5	2.12d	9	14.6	94
O Madison Gas & Elec.	30	1.60	5.3	2.31d	22	13.0	69
O Northwestern P. S.	11	.80	7.3	1.30m	10	8.5	62
C Penn Water & Power	37	2.00	5.4	2.23d	5	16.6	90
O Pub. Ser. of New Mexico ..	17	1.00	5.9	1.63m	13	10.4	61
O Rockland L. & P.	10	.60	6.0	.76m	21	13.2	79
S St. Joseph Lt. & Pr.	21	1.50	7.1	2.00m	NC	10.5	75
O Tide Water Power	8	.60	7.5	1.05a	—	7.6	57
O Tucson Gas, E. L. & P.	21	1.40	6.7	2.17m	D3	9.7	65
O Western Lt. & Tel.	23	1.60	7.0	2.14m	D4	10.7	75
Averages			6.8%			10.8	

Revenues under \$5,000,000

O Arizona Edison	17	\$1.20	7.1%	\$1.80d	D5%	9.4	67%
O Bangor Hydro Elec.	27	1.60	5.9	2.38m	D8	11.3	67
O Beverly G. & E.	46	3.40	7.3	4.13d	31	11.1	82
O Black Hills P. & L.	17	1.28	7.5	2.09a	7	8.1	61
O Citizens Utilities	16	.80&Stk	5.0	1.99m	8	8.0	40
O Colorado Central Power ...	16	1.00	6.3	1.35a	17	11.9	74
O Concord Electric	36	2.40	6.7	2.65d	3	13.6	91
O Derby G. & E.	22	1.40	6.4	2.08d	8	10.6	67
O Eastern Kansas Utils.	15	.60	4.0	.90d	18	16.7	67
O Fitchburg G. & E.	49	3.00	6.1	3.68d	32	13.3	82
O Frontier Power	3	.25	8.3	.49d	20	6.1	82
O Haverhill Elec.	35	3.00	8.6	3.14d	12	11.1	96
O Lake Superior Dist. Pr. ...	25	1.80	7.4	3.08m	2	8.1	58
O Lowell Elec. Lt.	45	3.55	7.9	3.96d	18	11.4	90
C Maine Public Service	15	1.00	6.7	1.67m	14	9.0	60
O Michigan Gas & Elec.	24	1.60	6.7	2.43m	15	9.9	66
O Missouri Edison	10	.70	7.0	1.19m	29	8.4	59
C Missouri Public Ser.	44	2.60	5.9	5.12d	16	8.6	51
O Missouri Utilities	14	1.00	7.1	1.56m	D13	9.0	64
O Newport Electric	28	1.80	6.4	2.82a	D8	9.9	64
O Sierra Pacific Power	22	1.60	7.3	1.98a	—	11.1	81
O Southern Colo. Pr.	9	.70	7.8	.85f	D3	10.6	82
O Southwestern El. Ser.	11	.80	7.3	1.38my	1	8.0	58
O Upper Peninsula Power ...	14	1.20	8.6	1.37m	D14	10.2	88
Averages			6.9%			10.2	
Averages, five groups ...			6.5%			11.0	

Canadian Companies**

C Brazilian Trac. L. & P. ...	24	\$2.00	8.3%	\$4.69d	4%	5.1	43%
C Gatineau Power	18	1.20	6.7	1.46d	2	12.3	82
C Quebec Power	19	1.00	5.3	1.33d	9	14.3	75
C Shawinigan Power	34	1.45	4.3	1.98d	39	17.2	73
C Winnipeg Electric	38	2.40	6.3	2.44d	D4	15.6	82

d—December, 1950. f—February, 1951. m—March, 1951. a—April, 1951. my—May, 1951. B—Boston Exchange. C—Curb Exchange. O—Over-counter or out-of-town exchange. S—New York Stock Exchange. E—Estimated. NC—No comparable figures available. *All twelve months' earnings comparisons have been adjusted to reflect in both periods the present number of shares outstanding. If additional common shares have been recently offered, earnings are adjusted to give effect to the offering. **While these stocks are listed on the Curb, Canadian prices are used. (Curb prices are affected by exchange rates, etc.) †Does not fully reflect \$7,000,000 gas rate increase effective February 18, 1951. Earnings on average shares outstanding, \$2.38; price-earnings ratio on this basis 13.9 and dividend pay-out 84 per cent. ‡Earnings on average shares outstanding \$5.04, price-earnings ratio on this basis 10.9 and dividend pay-out 60 per cent.

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What Others Think

Pole Top Resuscitation



To the thousands of men across the country who daily work atop towering power poles in a maze of high-tension lines to maintain electric service regardless of weather or disaster, the name Oesterreich has a hallowed significance.

The name is connected with the Pole Top Method of Artificial Respiration which, since its first use in 1931, has saved the lives of more than a hundred linemen.

The method is a departure from the internationally famous Schaefer procedure of prone pressure artificial respiration, used in various types of accidents, such as drowning and asphyxiation, as well as electrical. The Oesterreich Method is applied while the electric shock victim is on the pole, thus saving precious minutes otherwise required in lowering the lineman to the ground.

The adaptation was developed by E. W. Oesterreich, an electrical engineer of thirty-five years' standing, who was honored on June 6th by the electric light and power industry at the annual convention of the Edison Electric Institute held in Denver.

Mr. Oesterreich, general superintendent of distribution for the Duquesne Light Company of Pittsburgh, received a citation for distinguished service and a special commemorative bronze created by the sculptor Karl Lang. The presentation was made by C. E. Kohlhepp, president of the Wisconsin Public Service Corporation, Milwaukee. The ceremony pointed up not only the devotion of 300,000 electric company employees to the maintenance of power services throughout the nation, but underscored the power industry's continuing efforts to safeguard its employees through accident prevention.

ALSO participating in the ceremony were George Fritz, a foreman for Duquesne Light, and his six-year-old daughter. Mr. Fritz's life was saved eighteen years ago, when, as a lineman, he received a shock while working on a pole bearing 4,000-volt conductors.

His rescuer was a fellow lineman, Michael Butchko, the first of ninety-five linemen using the Pole Top Method who have received the Edison Electric Institute Medal for Resuscitation. This medal contains copper from the original electricity distribution system installed in the early eighties in New York city by Thomas A. Edison. The metal was a part of the world's first underground electric distribution system.

Mr. Oesterreich's method was applied successfully for the first time on July 29, 1931, following intensive research which had taken him back into the accident records for more than a decade. His study supported what he already had observed—that the conventional prone pressure method frequently was not effective in cases of electric shock to men working on overhead line poles.

He made sure that the skill of linemen rescue squads was not a factor. Men who tried in vain to resuscitate victims of high-line electricity with the prone pressure method had been successful with the same method in cases of drowning and asphyxiation and in electric shock accidents occurring at ground level.

The decisive factor, Mr. Oesterreich concluded, was the two to ten minutes required to lower the shock victim to the ground before the prone pressure process could be applied. He consulted high medical authorities, including Dr. Schaefer himself. A technique was worked out for applying artificial respira-

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tion to victims while they hung in their safety belts from the top of poles. All linemen were thoroughly trained, and a new stride in lifesaving was under way.

Today, the method bears the approval

of medical authorities and its use is widespread throughout the electric industry. At the same time, it is pointed out, studies are proceeding for even greater proficiency.

EEI Meeting

FEDERAL project expansion and financing additional plant were the two main problems discussed by the leading speakers at the nineteenth annual convention of the Edison Electric Institute in Denver, Colorado, June 5th to 8th. Leading off with the first general session, Louis V. Sutton, retiring president, said that "one of the passionate subjects of the New Deal and the Fair Deal is the socialization of the power industry." Sutton discussed the April, 1951, semi-annual survey of the institute's electric power survey committee, headed by Walker Cisler, executive vice president of the Detroit Edison Company.

A reserve margin of 16 per cent for the electric industry by 1953 was forecast by Mr. Sutton. "We do not yet know what new large defense loads may have to be met, nor in what particular areas they may fall, nor do we yet know how seriously our expansion plans may be hampered by delays in obtaining materials and equipment," Mr. Sutton said. He added, however, that the industry "will have available increased capability" to meet the demands brought about by the Korean war.

Mr. Sutton said events after the outbreak of the Korean fighting increased the demand for electricity in December of last year by 3,000,000 kilowatts. That is, about 5 per cent. The estimated increased demand for this year is 6,500,000 kilowatts, or 11 per cent. Mr. Sutton said an industry survey figured the demand would increase by 9,000,000 kilowatts in 1952 and 12,000,000 kilowatts in 1953—or 12½ and 17 per cent, respectively.

Commenting on Federal public power projects, Mr. Sutton said:

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The electric light and power companies do not oppose sound development and utilization of the water resources of the nation in the public interest. . . . They recognize that stream control directed at flood prevention, water supply, reclamation, and navigation involve functions of the Federal government, and that often . . . electric power development is economically feasible and should be made.

They urge, however, that government, especially the Federal government, should foster development by private capital, which means tax-paying capital.

REVIEWING the industry's difficulties in obtaining materials and equipment, Mr. Sutton emphasized that "any shortages which may hold back our own expansion program will likewise retard the building plans of most of our customers and prospective customers." When the anticipated large new defense loads materialize, the nation's power systems will have sufficient capacity to meet them, he forecast.

The retiring EEI president called on the private utility industry for a "more aggressive and thorough public relations program," in order to match the "propaganda methods of public ownership advocates." The industry's "miserly" 1950 advertising program ranked ninety-eighth among the 100 leading national advertisers, he noted. He urged an immediate increase of at least 25 per cent in the promotional budgets of the private utility industry's four principal trade organizations.

At the same meeting, the electric power producers were told by one of Presi-

WHAT OTHERS THINK

dent Truman's former economic advisers that government participation in some developments is necessary, but that it should be conducted fairly. The idea was expressed by Edwin G. Nourse in an address before the EEI convention. Mr. Nourse is former chairman of the President's Council of Economic Advisers.

"We have always expected government to supplement private enterprise," Mr. Nourse said. "I think we all agree it was good business all around. It was a good example of using both types of economic enterprise in proper team relationship."

Mr. Nourse said he considered that there was no excuse for government monopoly of a power source developed by it. And he advocated a free market, selling on the same terms to whoever wants the service.

FINANCING of future plant was analyzed by George D. Woods, chairman of one of the country's leading investment firms, the First Boston Corporation. He said that between now and the end of 1953 it will be "a \$7 billion job" to create the power facilities required to meet this nation's demands for electricity.

In the last three years, Mr. Woods told more than 1,000 leading utility executives attending the convention, the industry did a "\$6 billion job of expanding, and it was well done." On the basis of past experience, he said, it may be estimated that one-third of the \$7 billion now needed will be supplied internally by the industry and two-thirds, or approximately \$4.7 billion, will come from investors in the form of debt and equity securities.

Mr. Woods said he saw "no unusual or particularly difficult problems" in the sale of debt securities, but added that the present rate of interest will be approximately one-half of one per cent higher than has been paid in the last three years. He urged the power and light industry to resist "the temptation" to raise disproportionate amounts of new capital by debt financing, despite the present tax situation.

"The sound capitalization which as an

industry you enjoy today, and which you must perpetuate as you grow and expand," Mr. Woods said, "is one of your strongest bulwarks in slowing and finally stopping the entry of various types of political subdivisions into the electric utility business."

CHARGES that the Interior Department is "intent upon using Federal authority to gain control over practically all new hydro power developments," were made by Leslie A. Miller, former governor of Wyoming, in addressing the annual convention of the Edison Electric Institute.

Many more companies, he said, "would risk their capital in new hydro installations if given only a little encouragement by government." Instead, he added, they are "hampered and often blocked" by the Interior Department.

Because President Truman's Water Resources Policy Commission "was guided in its thinking by a membership majority which was predominantly public power-minded," it was "a foregone conclusion that the commission's report would be slanted against the further growth of private enterprise in the field of power production," Mr. Miller declared.

"Public thinking is being guided by propaganda into a belief that private enterprise will not or cannot build the plants to meet the demands for more and more power," Governor Miller said. "The hard facts dispute such representations."

He added that "the privately owned hydroelectric plants of the country are producing much more energy than the Federal facilities."

IN discussing the report of the President's Water Resources Policy Commission, the former governor remarked that "I heartily concur with the recommendations for basin-wide studies and programs, but I think more emphasis should have been placed on state and local authoritative co-operation."

However, the TVA-patterned authorities which the commission recommends "would act to impede the workings of our

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free enterprise system in a degree today unsuspected," Governor Miller stated. He outlined the fears of the West, where "irrigation is life," and whose state and local water rights laws would be seriously contradicted by agencies whose "prime objective would be the production of hydroelectric energy."

J. K. Hodnette, vice president of the Westinghouse Electric Corporation, said the electrical equipment industry has been keeping pace with the growth of the power and light industry. "We manufacturers have been expanding right along with you," he said, pointing out that, despite the shortage of certain critical materials, the electrical manufacturing industry this year will equal "or exceed" last year's production in most classes of power apparatus.

Farm mechanization today is comparable to a "high-wheeled 1908 automobile." Professor F. W. Duffee, head of the agricultural engineering department of the University of Wisconsin, told delegates, "What we need to do in order to make farm electrification the effective servant of agriculture—which it should be—is to remodel the entire structure," he declared. He suggested rearranging the entire farmstead layout together with equipment and devices in and around the buildings.

COVERING a subject of more general interest, Dr. Clarence Manion, dean of Notre Dame University School of Law, told the Denver meeting that the nation is in dire need of returning to fundamental principles of faith and spiritual guidance. He said we are not at war with Russia, nor any particular combination of foreign nations, as much as we are at war with a conflict of ideas. Communist *professions*, rather than Russian aggressions, have penetrated our defense lines to the extent that we are "fanning the flames of Communist professions at home," while fighting Communist aggressions abroad, he said.

Referring to actual hostilities, Dr. Manion stated:

The Communists understand their
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cause perfectly. They are all out to reduce all humanity to the complete control of an all-powerful godless government. There is no confusion in their councils. To them, their clear-cut diabolical end justifies any trick or treachery, any promise or pretense, any means or measure however criminal or scandalous, as long as it is calculated to achieve that end. The Communists will not openly fight for anything that they expect or hope will be handed to them on a silver platter. Remember that the Communists took Czechoslovakia with Czechs — Roumania with Roumanians — Hungary with Hungarians — and China with Chinese. They have not yet given up their hope to take Italy with Italians and France with Frenchmen. We have given them good reason to believe that they may eventually get America as the free gift of our confused, misdirected, and sentimental American "intellectuals."

The Communists have no stomach for a strictly military conflict with the United States. They shrewdly observe that all of our potential strength is military and that all of our national consciousness is bound up with physical and geographical defenses. They likewise sense the now open secret that our great American ideology has lost its appeal for the great majority of our people and particularly for our youth. As a nation and as individuals our instincts are now for "survival" merely, for "security," for holding what we have, with no general understanding of how we obtained these blessings, or how they may yet be multiplied a thousandfold in future years.

C. B. McMANUS, until recently the Administrator of the Defense Electric Power Administration in Washington, who subsequently returned to his post as president of the Georgia Power Company, described the organization of emergency control work which has been created within the Interior Department under the Defense Production Act.

The March of Events



In General

President Scores Cuts

PRESIDENT Truman charged recently that House amendments to the Interior Department Appropriation Bill would cripple an expanded public power program needed for defense production.

In a letter to Senator Carl Hayden, Democrat of Arizona, Mr. Truman asked the Senate to restore appropriations for transmission lines and power projects, elimination of a House-approved rider, sponsored by Representative Kenneth B. Keating, Republican of New York, that would prevent construction of Federal transmission lines in areas where "wheeling agreements" have been made with private companies.

As the bill stands, the President said, "consumers in southeastern states, in the southwestern states, in California, in the Missouri basin, in the Pacific Northwest, will have to pay higher prices—or not get the power they need."

The President told Senator Hayden, who is chairman of the Appropriations Subcommittee considering Interior Department appropriations, that the House-approved bill "would be a long step in the direction of making the taxpayers' investment in power facilities serve the profits of the private power companies." He stated:

In some cases, these cuts, in addition to playing into the hands of the private utilities, will result in the waste of government funds already spent. For example, the House eliminated funds to complete work on the western Missouri project—a group of important transmission facilities

being built by the Southwestern Power Administration.

This project is already 60 per cent completed, at a cost so far of nearly \$3,000,000. This money will be entirely wasted—and the real need for these facilities ignored—if construction is now stopped for lack of further funds.

Mr. Truman also complained because the House had refused funds "for the badly needed interconnection between the government's power projects in the Pacific Northwest and in California."

Discussing the Keating amendment, the President said that, in general, "wheeling agreements" now in effect with private power companies provide that these companies make available to the government their surplus transmission line capacity. Under the amendment, the government would be prohibited from building additional transmission lines in such an area.

The President declared that the government needed continuing authority to build such lines even in areas where there were "wheeling agreements." Such agreements, he said, "do not guarantee the delivery of power to preference customers."

Seeks Authority to Sell Bonds

ELECTRIC ENERGY, INC., a new company formed jointly by five electric utilities, last month asked the Securities and Exchange Commission for authorization to sell up to \$100,000,000 in bonds to two insurance companies.

Electric Energy, which will supply one-half of the electric power require-

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ments of the Atomic Energy Commission's new Paducah, Kentucky, plant, said it expects to require \$90,000,000 for construction purposes, including \$3,000,000 of working capital. It has agreements with Prudential Insurance Company of America and Metropolitan Life Insurance Company in which each company will buy up to \$50,000,000 of 3 per cent first mortgage sinking-fund bonds.

The company estimates that only \$86,500,000 will be required to meet construction costs, but it seeks authority to sell up to \$100,000,000 to guard against rising costs. It will pay each insurance company a fee of one-half of one per cent annually for the unused portion of the commitment.

Last January, when the SEC approved formation of Electric Energy, the construction costs were placed at \$70,000,000.

Electric Energy was formed by Union Electric Company of Missouri; Middle South Utilities, Inc.; Central Illinois Public Service Company; Illinois Power Company; and Kentucky Utilities Com-

pany. The application stated that only the first two companies are subject to SEC jurisdiction.

Senate Approves Central Arizona Project

THE Senate voted recently to authorize construction of the \$788,000,000 Central Arizona irrigation and power project. The roll call vote of 50 to 28 sent the legislation to the House, where a similar bill already had been shelved by the House Interior Committee.

The House committee voted 16 to 8 not to consider the project further until the Arizona-California dispute over water rights in the Colorado river has been settled by Supreme Court adjudication or by interstate agreement.

The Senate bill authorizes a Supreme Court test of water rights in addition to authorizing the project. It provides that construction may not begin while any suit is pending before the Court.

Another restriction, proposed by Arizona Senators, prevents construction during the present national emergency.

California

Bills in Legislature

THE state senate, by a 21-to-15 vote, early last month passed and sent to the governor for signature AB 908, which would require public utility districts to hold a referendum whenever they wish to enlarge their services. The measure was sponsored in the upper house by Senator Verne Hoffman of San Joaquin county.

He told the senate:

It has been stated that this is a power company bill and would prevent

these districts from going into the light and power business. That is not exactly true. It merely goes back to local autonomy and gives the people a chance to vote on the matter.

The measure was opposed by Senator Johnson of Placer county, who declared it would tie the hands of public utility districts already formed.

A bill designed to make sure public utilities pay their full share of taxes in California has been passed by the senate and sent to the assembly.

Florida

Governor Vetoes Tax Bill

GOVERNOR Warren last month vetoed a bill passed by the state legisla-

ture which would have assessed the costs of utility regulation against all utilities and common carriers.

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The governor said he was rejecting the bill because "it is manifestly unfair in that it attempts to place an additional tax on common carriers, both rail and motor, to pay for the regulation of utilities companies."

Under the bill, the tax would have been imposed at the rate of 2 per cent per \$1,000 of gross receipts up to

\$1,000,000, and \$1 for each additional \$1,000, beginning July 1st.

Receipts from the levy would have gone to the state railroad and public utilities commission to pay the cost of carrying out a newly enacted law for statewide regulation of private electric power and gas companies, as well as other utilities.

Kentucky

REA Co-ops Strike Back

A SUIT was filed in circuit court at Frankfort recently asking that the state public service commission be required to reopen the case in which the commission authorized Kentucky Utilities Company to double the capacity of its generating plant at Tyrone and build new transmission lines at a cost of \$11,225,000.

The fight between the company and the East Kentucky Rural Electric Co-operative Corporation now is largely at the lawsuit level. The suit filed last month sought to block that part of a

KU stock-sale proceeds which would go toward paying for the expansion at Tyrone.

Last December, the commission authorized East Kentucky to borrow \$12,265,000 from the Federal government to build a generating and transmission system at Ford in Clark county. There are 18 co-ops in the East Kentucky system. The corporation buys its power from KU and sells it to the co-ops. East Kentucky wants to produce and sell its own power. KU appealed this authorization to circuit court when it lost its fight before the commission. The suit is still on file.

Michigan

Gas Rate Increase Upheld

A STATE public service commission order of 1949 granting Consumers Power Company a \$1,161,000 gas rate increase has been upheld by the state supreme court.

Reversing a ruling of Ingham County Circuit Judge Marvin J. Salmon, who vacated the rate increase, the supreme

court ruled the commission's action valid.

The increase was appealed by Lansing and Saginaw. The commission granted an increase of \$1,800,000 in April, 1949, on Consumers application for \$4,800,000. On a rehearing in July, 1949, it granted another \$1,161,000 increase, and it was the cities' contention that this was beyond the commission's powers.

New York

Transit Mediators Named

MAYOR Impellitteri recently named a special committee to mediate the dispute over a 40-hour week for 36,000 municipal transit workers and to recommend permanent machinery to co-

ordinate all public and private transportation in New York city, following removal of the July 1st transit strike threat.

The mayor acted after receiving assurances of "continued uninterrupted serv-

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ice" from Michael J. Quill's Transport Workers Union, CIO. Mr. Quill praised the committee as "outstanding," but indicated that the union's strike threat would be renewed if the panel did not work out a solution of the 40-hour program before the end of June.

Mr. Impellitteri instructed the committee to suspend its activities if the union did revive its threat to shut down the transit system.

All three members of the panel have had long experience in labor and transit problems. They are Theodore W. Kheel, impartial chairman of the city's private transit industry; Thomas A. Morgan, chairman of the board of the Sperry Corporation; and William J. McCor-

mack, president of the Transit-Mix Corporation. Victor S. Riesenfeld, chairman of the board of Broadstreets, Inc., will serve as consultant to the committee but will not be a full-fledged member because of illness.

In a surprise move, the mayor asked the panel to look beyond the immediate controversy and bring in a plan designed to promote a more orderly integration of subway, elevated, bus, and taxicab service. Mr. Impellitteri's aides explained that the aim was not to extend public ownership, but to set up an advisory board of business and labor leaders to guide the city on tax, fare, and labor problems affecting all forms of transportation.

South Carolina

Co-operative's Condemnation Right Upheld

RURAL electric co-operatives perform a public function in transmitting power and may resort to condemnation proceedings to obtain rights of way for their lines, the state supreme court ruled recently.

In an unanimous per curiam opinion, the high court upheld an order of Circuit Judge James M. Brailsford, Jr., of Orangeburg, declining to issue an in-

junction against Central Electric Power Co-operative, Inc.

The injunction had been sought by a resident of Elloree. He sought to restrain the co-operative from acquiring right of way over his farm and timber land by condemnation.

The record shows that the co-operative planned to connect two substations and transmit to its customers electric power to be purchased from the South Carolina Public Service Authority (Santee-Cooper).

Wisconsin

Transit System Offered for Sale to City

THE Transport Company last month offered to sell to the city its entire mass transportation system in metropolitan Milwaukee. City officials were reported cool toward the city buying the system. But there was said to be enthusiasm for a metropolitan transit authority acquiring and integrating it with the Waukesha and Hales Corners rapid transit line, now facing abandonment.

The authority apparently cannot be

created until after a referendum scheduled for next April at the regular municipal elections.

The company's offer was filed with the common council by R. H. Pinkley, president. He said that under the Holding Company Act of 1935 it was apparent Wisconsin Electric & Power Company, owner of all the Transport Company stock, would have to sell the entire transit property, including 304 miles of routes served by 1,123 streetcars and busses. The offer embraces all other property and equipment of the company.



Progress of Regulation

Rising Costs Make "End Reasonableness" Method of Testing Rates Preferable to Rate Base Determination

THE Connecticut commission granted a rate increase to a telephone company which was experiencing great difficulty in absorbing the rising costs of operations due to the increase in wages and Federal income taxes. The company, while reserving its right to seek a just and reasonable return on a fair rate base at a later time, limited its request in the instant proceeding to what the commission called "the minimum net utility operating income sufficient to enable it to fulfill its corporate purposes and to meet its obligations to its subscribers and investors."

The company's need for additional revenue because of the unprecedented and uninterrupted growth of telephone plant since World War II, in a period of ever-increasing construction and operating costs, was considered consistent with the experience of other telephone companies throughout the country. Its proposed expenditure of over \$23,000,000 to convert more of its system to dial operation and to catch up with unfilled orders for service was described as "reasonable and necessary to provide subscribers with the type of service which it is the company's obligation to provide and on which it is the commission's duty to insist."

The evidence offered by the company as to increased expenses covered the time from 1948 through 1950, and for 1951 estimated. The rapidly rising costs during the last quarter of 1950 and in 1951, the commission observed, made this latter period a more realistic and reasonable basis on which to consider the

company's need for rate relief. Consequently, the company's operating results in 1951, as shown in its first quarterly report, were carefully scrutinized, even though they were not part of the record in the rate hearing. This report indicated that costs had risen higher than the company's 1951 estimate.

After deciding that the company needed additional revenues to meet its obligations, the commission proceeded to determine the reasonableness of the rates proposed. It was not considered necessary to test the rates against a specific rate base provided that the "end result" was reached by a consideration of sound standards.

The Hope Natural Gas Case, from which this "end reasonableness" method was taken, indicated that returns on rate bases were but one method of testing the reasonableness of a rate schedule. The commission believed that the rapid expansion of the rate base under present conditions made the use of a "return-on-rate-base" test to the exclusion of a broader approach based on the "end-result" method less representative and realistic.

Objections of a labor union to the company's depreciation charges were overruled. The union had urged that some inference of irregularities in depreciation rates be drawn from the Federal Communications Commission pending review of the depreciation charges of telephone companies. No evidence was presented in support of the objection, while, on the other hand, it appeared from the record that the company was

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engaged in a continuous revision of its depreciation accounting in conformity with actual experience.

The labor union also attempted to show that the company's present rates would give it a rate of return substantially greater than estimated by the company by proposing a rate base based on the company's book cost. The commission did not agree with the valuation proposed but pointed out that even on

this valuation the company's return under the rates which it was authorizing would be only 6.22 per cent. These rates would provide the company with about \$2,500,000 additional revenue and would enable it to maintain its credit standing so as to be in a position to borrow the capital needed to supply the tremendous demand for its service. *Re Southern New England Teleph. Co. Docket No. 8458, June 6, 1951.*



Court Refuses to Interfere with Commission's Discretion in Rate Case

THE Virginia Supreme Court of Appeals affirmed a commission order (83 PUR NS 61 and 85 PUR NS 435) granting the Chesapeake & Potomac Telephone Company of Virginia a rate increase to produce a return of 5.99 per cent on the company's net original investment.

The court commented at some length on the scope of its authority to review a commission decision. There is a reasonably wide area within which the commission is empowered to exercise its legislative discretion as to what is confiscatory on the one hand and what is exorbitant on the other. Unless an abuse of discretion is clearly indicated, the commission's action must stand.

The four steps which must be taken in fixing rates were described by the court in these words:

... the commission must necessarily first ascertain (a) the value of the company's property used and useful in the rendition of its intrastate service, (b) its annual gross revenues, and (c) its annual operating expenses. Upon accomplishing these objectives, it must then determine upon and set the percentage rate of return at such a figure as will afford the utility reasonable opportunity to earn a fair and just return on its investment.

Three methods of valuation were offered by the company. These were (1) reproduction cost new, piecemeal and wholesale; (2) reproduction cost new

on a wholesale basis; (3) original cost. The company contended that all the evidence tending to establish the fair value of its property should be considered and that reliance on original cost alone was contrary to the settled law of Virginia.

Various municipalities protesting the increase contended that original cost should be adopted as the sole mode of valuation and that all evidence pertaining to reproduction cost "as built" or wholesale should be rejected. The commission agreed with this contention. The court did not pass on this point because no cross error was assigned by the company to the refusal of the commission to give weight to the evidence offered upon reproduction cost.

The court approved the commission's action in allowing as part of the rate base the value of plant under construction and real estate held for future use, and as operating expenses the maintenance expense due to abnormal costs, pension fund payments, and payments of one per cent of gross revenues to its parent company under the standard license contract.

The court, in approving the commission's adoption of the method and procedure of separation between interstate and intrastate operations prescribed in the NARUC manual, quoted with approval Commissioner Catterall:

No better method of making the necessary separation is available, and, until a better method is available, the Separations Manual should be followed.

PROGRESS OF REGULATION

In considering the rate of return allowed by the commission, the court discussed the fact that the company obtained needed capital from its parent, the American Telephone and Telegraph Company, and that the debt ratio of the company is related to the debt ratio of the Bell system as a whole. This debt ratio, the court continued, must be reasonable and safe. The rate of return must afford reasonable assurance to investors that the company under prudent management will be able to pay reasonable dividends.

The last contention of the cities was that part of the additional revenue required could and should be obtained by increasing coin-box rates from 5 to 10 cents. They contended that if this were done, about \$700,000 more revenue could be obtained.

The court pointed out that the commission, after considering the expense involved in converting the phones and evidence that the yield would be about

half of the cities' estimates, exercised its discretion and declined to order the change in the coin boxes and increase in the rates. In allowing the commission order to stand, the court ruled:

Where, how, and from what precise source or sources the increased revenue awarded is to be obtained is primarily an administrative duty and undertaking to be exercised by the commission. Obviously, we are not entitled to substitute our judgment in the premises for that of the commission unless their discretion in that respect has been definitely and clearly abused. The evidence bearing upon the advisability of making a change is conflicting and we find no abuse of discretion in the commission's refusal to impose a 10-cent charge for local box calls.

City of Norfolk et al. v. Chesapeake & Potomac Teleph. Co. of Virginia, May 7, 1951.



Past Earnings Not Considered in Rate Proceeding

IN allowing a telephone company a rate increase sufficient to permit it to earn a return of 4.05 per cent on its average net investment plus working capital, the North Carolina commission observed that it is common knowledge that under prevailing material and wage levels revenues in the industry are not keeping pace with added investment and increased operating costs.

The commission overruled the protests of subscribers at one of the company's exchanges that an adequate return was being earned on the property used and useful at their exchange. The commission stated:

It is neither practical, nor in keeping with adopted policies of the various public service commissions over the country, to separate the telephone properties by exchanges for rate-making purposes. To do so would work many inequities in the rates paid by the ratepayers at one exchange, over another.

Another objection to the rate increase was based on the contention that in past years the company enjoyed a high return and that consideration should be given these earnings in the present proceeding.

The commission ruled that such a practice could not be followed with any degree of fairness either to the company involved or to the rate-paying public. The commission commented further on this point as follows:

Conditions change from year to year, policies change, and what may have at one time been a reasonable return, might now be excessive, or could be insufficient. If such policy were followed there would always be the question of how far in the past to go, or which particular years to use, and whether or not an average should be stricken. Furthermore, it is conceivable that a company which had enjoyed a substantial rate of return in the past could now be operating at a loss, and

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thus to require it to continue to operate at a loss would finally drive it into bankruptcy. The statutes do not permit retroactive rate making to correct either excess earnings or a deficiency in earnings in past years. We can deal only with the present, and it

is the duty of the commission to cause adjustments in rates, either upward or downward, at any time the rate of return becomes unreasonably low or high.

Re Carolina Mountain Teleph. Co. Docket No. P-6, Sub. 4, March 23, 1951.



Authority for Transfer Not Revoked Despite Payment Delay

A MOTION to rescind an order authorizing the transfer of a motor carrier certificate, for failure to complete the transfer, was denied by the Colorado commission.

The commission order was to become effective after twenty-one days. Upon the failure of the transferee to pay the balance of the purchase price after the commission decision, but before that date, the transferors elected to rescind. The transferee tendered payment by cashier's check on the effective date.

The commission pointed out that, although a common carrier cannot transfer his certificate without authority from the commission, the commission cannot order or direct the transfer but can only authorize it. Noting that the contract between the parties provided for pay-

ment of the balance when the commission approved the transfer, the commission held that it could not rescind an order authorizing such transfer for failure of the transferee to pay the balance of the agreed purchase price prior to the effective date of the order.

The question of whether or not the original contract was valid, whether or not it could be enforced, or whether or not the delivery of a cashier's check by the transferee on the effective date constituted legal payment of the balance then due upon the purchase price, the commission said, was a matter for the courts to determine, as the commission had no jurisdiction over such questions. *Re Wright et al. ("A-Zone Cab Co.") Application No. 10904-Transfer, Decision No. 36506, April 18, 1951.*



Electric Utility Not Required to Serve Area Adequately Served by Municipal Electric Plant

THE Virginia commission refused to order an electric company to extend service to an area adjacent to a municipality where its certificate did not include the area, where a municipal electric plant was furnishing adequate and satisfactory service to the area at reasonable rates, and where the electric company could not furnish better service or serve at lower rates. It said that if it ordered one public service corporation to invade the territory served by another merely because some customers, without justifiable reason or grounds, preferred to be served by one company rather than the other, its decision would not long stand up in the courts.

The customers made no complaint that the service rendered by the town was unsatisfactory or inadequate or that the rates charged were unreasonable, discriminatory, or unjust. In fact, they would be served at practically the same rates if the electric company were required to serve them. If the electric utility were required by the commission to enter the territory, it would either have to build a competing and duplicating system or acquire the system of the town in that area. Neither of these alternatives was considered desirable.

The commission pointed out that the legislature had specifically authorized the town to furnish service in this area and

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that the town had acquired an adequate and efficient system to perform that service.

The commission believed it would be unreasonable to duplicate this service to the ruination and destruction of the property. It stated that evidently the legislature had thought it was in the public interest for the town to be authorized to carry on this business. The commission did not think it was either just or reasonable that the effectiveness of this legislative grant should be impaired or destroyed merely because a public service company now had lines in the area from which a distributing system could be extended.

The commission observed that if the

customers were in fact being prejudiced or placed at a disadvantage by the town's operation in the area, more serious questions would be presented. Such was not the case here, however, for if the commission were to order the electric company to serve the area, the only result would be that the customers would receive service from the electric company rather than the town. The customers would receive no better or cheaper service. For this reason, the commission concluded that other and additional reasons would have to be shown before it would be justified in ordering the electric company to enter this territory. *Moore et al. v. Appalachian Electric Power Co. et al. Case No. 10277, April 24, 1951.*



Other Important Rulings

THE United States Court of Appeals held that an order of the Federal Communications Commission denying a petition for a final grant of a construction permit and setting such application for competitive hearing along with another application was not an order refusing such application over which the court has jurisdiction. *Johnston Broadcasting Co. v. Federal Communications Commission et al. 187 F2d 202.*

The Wisconsin commission refused to require an electric company to serve summer resorts at the commercial rate for six months and at the residential rate for the other six months of the year where it found that to do so would result in rate discrimination, where it would entail added expense of meter reading not contemplated in the company's present rate structure, and where there would be added bookkeeping and billing costs, the commission being reluctant to upset established precedent except where unreasonable discrimination or grave injustice could be shown. *Minocqua District Resort Asso. v. Wisconsin Pub. Service Corp. 2-U-3463, May 15, 1951.*

that a parking lot fee charged by a railroad at a station is not a rate within the contemplation of the Public Utility Law and that the railroad is not required to furnish all-day parking, free or otherwise, to its patrons. *Post v. Reading Co. Complaint Docket No. 15128, April 2, 1951.*

The Federal Power Commission held that two natural gas pipeline systems should be authorized to serve the New England area since that area's fuel supply would be more secure in the event of war if it were not wholly dependent upon one system to provide all of its needs. *Re Northeastern Gas Transmission Co. Opinion No. 208. Docket Nos. G-1568, G-1319, March 2, 1951.*

The California commission held that a gas and electric company's plan to issue shares of proposed common stock to stockholders, pursuant to their preemptive rights, is exempt from the requirements of the commission's competitive bidding rule. *Re Pacific Gas & E. Co. Decision No. 45414, Application No. 32124, March 6, 1951.*

The Louisiana commission held that a fair and equitable rate of return for

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a telephone company is 6 per cent per annum. *Ex Parte Avoyelles Teleph. Co. Order No. 5666, Docket No. 5706, April 27, 1951.*

The Massachusetts Department of Public Utilities held that a proposed transit rate increase was fully justified where it would yield a return of approximately 5.9 per cent on the net property investment and approximately 4.9 per cent on outstanding common stock after preferred dividends had been deducted. *Re Boston, W. & N. Y. Street R. Co. DPU 9392, May 11, 1951.*

The Maryland commission held that

a transit company should be authorized to discontinue passenger lines operated at a loss and the company should not be compelled to continue the branch lines merely because the loss could be offset by profit on the rest of the company's service. *Re Capital Transit Co. Case No. 5165, Order No. 48115, March 29, 1951.*

The California District Court of Appeals held that although the commission has power to refuse to approve a sale or transfer of assets of a public utility as between a buyer and seller, such power is not exclusive of or equal to that of the courts. *Bartlett v. Rogers, 229 P2d 434.*

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Public Utilities Reports (New Series) are published in five bound volumes a year, with the P.U.R. Annual (Index). These Reports contain the cases preprinted in the issues of PUBLIC UTILITIES FORTNIGHTLY, as well as additional cases and digests of cases. The volumes are \$7.50 each; the Annual (Index) \$6.00. *Public Utilities Reports* also will subsequently contain in full or abstract form cases referred to in the foregoing pages of "Progress of Regulation."

FEDERAL POWER COMMISSION

Re Montana Power Company

Docket No. G-1627

May 8, 1951

APPPLICATION for declaratory judgment determining whether a certificate of convenience and necessity under Natural Gas Act is required for construction of natural gas transmission facilities; certificate not required.

Certificates of convenience and necessity, § 53.5 — When required — Interstate gas line — Gas used as boiler fuel.

The construction, conversion, and operation of a natural gas pipeline extending from a point in one state to a point in another state do not require a certificate of public convenience and necessity pursuant to § 7(c) of the Natural Gas Act, 15 USCA § 717f(c), where the facilities are to be used by the company constructing and operating them to transport natural gas solely for its own use as boiler fuel in its electric generating plant without making any sales of natural gas.

APPEARANCES: On March 5, 1951, The Montana Power Company (applicant) a New Jersey corporation with its principal office at 40 East Broadway, Butte, Montana, filed an application for a declaratory order determining whether a certificate of public convenience and necessity pursuant to § 7(c) of the Natural Gas Act, 15 USCA § 717f(c), is required before constructing, converting, and operating certain proposed natural gas transmission pipeline facilities as herein-after described and as more fully described in the application.

Applicant proposes to construct an 8-inch natural gas pipeline extending from the Hart Mountain Field in Wyoming to Warren, Montana, and to convert an existing oil pipeline extending from Warren to Billings, Montana, through which combined facilities applicant proposes to trans-

port natural gas solely for its own use as boiler fuel in its electric generating plant. Applicant does not propose to make any sales of natural gas.

On the basis of the facts set forth in the application the Commission finds:

(1) The facilities proposed to be constructed, converted, and operated by applicant, as described in its application in this proceeding, are to be used solely by applicant for the transportation of natural gas to its electric generating plant and no sales of natural gas are to be made by means of these facilities for public consumption.

(2) The facilities sought to be constructed, converted, and operated by applicant would not be used for the transportation or sale of natural gas in interstate commerce for consumption by other than the applicant.

(3) The construction, conversion, and operation of the facilities described

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by applicant do not require a certificate pursuant to § 7(c) of the Natural Gas Act.
of public convenience and necessity

ARKANSAS PUBLIC SERVICE COMMISSION

Re Fordyce Water Company, Incorporated

Docket No. U-498
April 12, 1951

APPPLICATION by water company for authority to increase rates;
granted.

Return, § 36 — Reasonableness — Adequacy of service.

1. A company is entitled to a full and adequate return only when it is giving good service under efficient operation, p. 101.

Service, § 123 — Duty to correct deficiencies.

2. A company seeking an adequate return must correct deficiencies in service and maintain reasonable standards of service, p. 101.

Valuation, § 36 — Rate base determination — Prudent investment.

3. The commonly called "prudent investment" standard was held to produce a rate base accurately and equitably representing the fair value of a water company's properties for rate-making purposes, p. 101.

Return, § 115 — Water company.

4. A rate of return of 6 per cent was held to be fair, just, and reasonable as to consumers and as to a water company and its investors, p. 102.

Expenses, § 57 — Interest on customer deposits.

5. A water company, required by rules and regulations and the statutes to pay interest on deposits required of customers, should be allowed the amount necessary to cover this interest item in addition to a fair return on its rate base, p. 102.

Rates, § 653.2 — Provision for excess earnings — Special reserve — Sliding scale.

6. A water company authorized to increase rates was required to create a special reserve out of any excess revenues, to be distributed between the company and its customers in such manner as the Commission might order and direct under a plan for a sliding scale, or automatic adjustment, of rates, in view of the impossibility of fixing static rates that would produce no more than a fixed return on the rate base, p. 102.

Rates, § 630 — Increase under bond — Justification.

Statement by Arkansas Commission that the intent of the statutes governing a bond filed to enable a company to make an increase in rates pending a rate investigation is that it be a protection to operating utilities in the event

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that the financial stability of the company would or could be placed in jeopardy by reason of undue delay in rate adjustments and that the Commission necessarily must be critical of the action of a company filing a bond and putting increased rates into effect when the company's financial structure, in view of earnings, is not in jeopardy, p. 101.

Rates, § 653.2 — Sliding-scale arrangement — Future earnings after rate increase. Description of sliding-scale arrangement adopted by Arkansas Commission in connection with authorization of rate increase in order to distribute excess earnings between the company and its customers, p. 104.

By the COMMISSION: This substituted findings and order shall supersede the findings and order of the Commission made on March 28, 1951, in this docket, and the findings and order of March 28, 1951, is hereby revoked.

On December 12, 1950, the Fordyce Water Company, Inc. (hereinafter sometimes referred to as the "company") filed a schedule of rates increasing the charges for residential, commercial, and industrial water service in the city of Fordyce, Arkansas. On January 2, 1951, the Commission by its order suspended the schedule of rates as filed, pending investigation and hearing, and directed its engineering and accounting divisions to make an appropriate investigation.

On January 10, 1951, the city of Fordyce, Arkansas, filed its formal protest against the effectuation of said schedule of rates.

On January 11, 1951, the company filed its petition with the Commission for approval of a bond executed by the United States Fidelity and Guaranty Company, a commercial surety company authorized to do business within the state of Arkansas, and for permission to put into effect immediately the said schedule of rates under bond; said bond was in the amount of \$4,200, made payable to the state of Arkansas, and provided for the prompt payment of damages or refunds incurred by the

company and owed the public because of the effectuation of the new rate schedule if the rates were finally determined to be excessive. Said bond was filed under the provisions of § 18(b) of Act 324 of the 1935 Acts of Arkansas. The Commission by its order under date of January 15, 1951, approved the bond and allowed the rates to become effective.

On March 12, 1951, the city council of the city of Fordyce, Arkansas, passed a resolution directing the city attorney to notify this Commission that it was the desire of the city of Fordyce to drop and cancel its protest against the said increase in water rates. The engineering and accounting divisions of the Commission made a detailed investigation of the operations, rates, and services of the company in order that the Commission might determine and establish a fair and reasonable rate base and a fair, just, and reasonable rate of return thereon to be received by the company for rendering water service to the consumers in and adjacent to the city of Fordyce, Arkansas.

As a result of this investigation, the Commission finds as follows:

Fordyce Water Company, Inc., is a corporation organized and existing under and by virtue of the laws of Arkansas, and is a wholly owned subsidiary of General Waterworks Corpora-

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tion. It is engaged in the distribution of water to the consumers in and adjacent to the city of Fordyce, Arkansas, and is therefore a public utility as defined by Act 324 of the Acts of Arkansas for the year 1935.

The company acquired the water properties in the city of Fordyce from the Arkansas Power & Light Company during the year 1942, and has made net additions to said properties from date of acquisition to December 31, 1950, in the amount of \$113,231.62, while it has increased the value of its capital securities in the amount of \$97,463. Its percentage of net earnings per books upon the invested capital has been as follows:

1943	5.47%
1944	6.29%
1945	13.00%
1946	13.86%
1947	6.55%
1948	7.28%
1949	6.31%
1950	5.84%

The company experienced increases in its operating expenses and income taxes during the year 1950 which will increase its annual operating costs in an estimated amount of \$3,320; and it is estimated that the proposed new rates will produce \$4,096 additional revenue per annum. Without giving consideration to increases for normal growth, the company's return upon its invested capital is estimated to be slightly less than 6 per cent for the year 1951.

Services

Fordyce Water Company, Inc., realizing the need of a better water supply because of the hardness, iron and magnesium content of the old wells, drilled a deeper well in 1949. This well produces a good, soft water free

of iron and magnesium; however, there was found to be enough organic coloring matter in this water to cause stain discoloration to the porcelain plumbing fixtures, as well as to the laundry of the consumers. An effort was made to remedy this situation by bleaching and filtering the water. Tests revealed that the coloring was being remedied at the plant, but that the water was picking up some color in the distribution system. Calgon was recommended and added at the plant in an effort to remedy this condition. Further tests indicated that this treatment would greatly improve the condition of the water.

The Commission finds that the company should continue its efforts to improve the quality of the water to insure a clear, pure, wholesome, and potable water supply. In accordance with the Rules and Regulations of this Commission, a program of systematic flushing of the distribution system should be followed.

The Commission further finds that the city of Fordyce is entitled to better fire protection than it is now receiving. To remedy this condition, the Commission believes, and it will so order, that improvements should be made as follows:

A pump should be installed in the second auxiliary well so that it can be made available for service and also the high service pumping capacity should be increased. The flow tests made by the Commission's staff revealed that the flows and residual pressures were fair in the business district and the southern and western portion of the city, but were extremely low in the northern and eastern sections, probably due to the fact that there are long 4-

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inch and 6-inch dead-end lines serving these areas. In order to improve the fire protection throughout the city, a program of reinforcing the distribution system should be carried out by looping the dead-end lines, where it is reasonable to do so, and to strengthen existing mains by supplementing with other mains.

The Commission further finds that the company should make a complete and accurate map of the water system in Fordyce, and that a master meter should be installed at or near the plant in the near future, in accordance with Rules 17 and 56 of the Rules and Regulations of this Commission.

It should be pointed out that prior to January 15, 1951, the date that the bond was approved for the company for the increased rates, a conference was held by officials of the company and the Commission. An effort was made to discourage the filing of the bond inasmuch as a preliminary examination of the company's accounts reflected its earnings were currently near a 6 per cent return, and for a period of six years its earnings exceeded 6 per cent; the return to the company for 1946 was 13.86 per cent. Moreover, numerous complaints regarding service at Fordyce had been received.

The Commission finds that the company's financial structure was not then, nor is it now, in jeopardy. Even though the statutes permit the filing of a bond placing an increased rate in effect after thirty days, notwithstanding the fact that such proposed increased rates may be ordered suspended, sound discretion should be exercised by the company. The rates were suspended in this case on January 2, 1951. The intent of the statutes governing

the bond is that it be a protection to operating utilities in the event that the financial stability of the company would or could be placed in jeopardy by reason of undue delay in rate adjustments. The Commission necessarily must be critical of the company's action in this respect as it was contrary to the public interest. The company was bound to know its current financial condition.

[1, 2] The statutes provide that "every public utility shall furnish, provide, and maintain such adequate and efficient service, instrumentalities, equipment, and facilities as shall promote the safety, health, comfort, requirements, and convenience of its patrons, employees, and the public."

The Commission holds that *rates* and *service* are not independent of each other, but are interdependent each on the other. A presumption that a return of 6 per cent on the company's properties used and useful and dedicated to the public, irrespective of adequate service, is false. The company is only entitled to a full and adequate return when it is giving good service under an efficient operation. The company must correct its deficiencies and maintain reasonable standards of service. The Commission would be derelict in its duties to assume a different position.

Rate Base

[3] The Commission finds that the commonly called "prudent investment" standard in this case produces a rate base which accurately and equitably represents the fair value of the company's properties for rate-making purposes. Having therefore determined that in this case the value of the company's water properties is accurately

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and equitably measured by the amount "prudently invested" in its water properties, the Commission finds that the said "prudent investment" in this case as of December 31, 1950, is \$153,464, as determined in the tabulation below. The Commission further finds that this amount shall be the rate base of the company as of December 31, 1950, for the purpose of making rates in and adjacent to the city of Fordyce.

FORDYCE WATER COMPANY, INC. COMPUTATION OF RATE BASE AT DECEMBER 31, 1950

Account 200	Common Capital Stock	\$31,000
Account 201	Preferred Capital	
	Stock	25,000
Account 271	Earned Surplus	17,464
Account 212.1	Long Term Debt	60,000
Advances in process of being funded		20,000

Prudently invested in water plant ... \$153,464

Rate of Return

[4] The Commission finds that a rate of return of 6 per cent upon the rate base for the property used and useful in the company's water operations, as hereinabove determined, is a fair, just, and reasonable rate of return as to the consumers and to the company and its investors.

[5] To the amount determined by applying the 6 per cent allowed rate of return to the allowed rate base shall be added the amount necessary to cover the item of interest on water customers' deposits. The Commission's rules and regulations and the statutes governing public utility service require that each utility pay interest at the annual rate of 6 per cent on all deposits required of its customers. The primary purpose of any utility company requiring deposits from its customers is to reduce the loss on bad debts to a minimum. The Commission has made studies of the effect of deposit require-

ments on bad debt losses, and has determined that the requirement of deposits from customers is in the public interest in that it materially reduces the loss on bad debts. The Commission therefore finds that interest paid on the deposits of the company's water customers should be added to the return allowed the company.

Depreciation

The Commission finds that the rates and methods used by the company to accrue depreciation upon the depreciable property are fair and reasonable and should be continued in the future, subject to periodical examination by the Commission's staff.

Sliding-scale Adjustment

[6] In making these findings the Commission is mindful of the fact that the fixing of static rates that will produce no more than a fixed return on the rate base for the company's water properties used and useful in rendering service to the public is a practical impossibility. The Commission therefore finds that the public interest requires, and the Commission will so direct, that the company create a special reserve out of any excess gross water operating revenues accruing to the company; such special reserve, if any, shall be distributed between the company and its customers in such manner as the Commission may order and direct. The distribution of such reserve, if any, will place into effect a sliding scale, or automatic adjustment, of the rates and charges of the company for its water service. The Commission has made what it believes to be a reasonably accurate provision for the sliding scale, or automatic adjustment, of such rates. These provi-

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sions will appear in the ordered section of this substituted findings and order.

The Commission therefore finds that it is in the public interest that the schedule of rates filed by the company on December 12, 1950, be made permanent, and the bond filed on January 11, 1951, be canceled and returned to the company.

It is therefore *ordered* that:

A. The schedule of rates filed by the Fordyce Water Company, Inc., on December 12, 1950, for water service in the city of Fordyce, Arkansas, and adjacent territory be, and it is hereby, approved; and the surety bond filed by the company on January 11, 1951, be, and it is hereby, canceled and returned to the company without liability attaching thereon.

B. Service

1. The Fordyce Water Company, Inc., is hereby ordered and directed to comply with the Rules and Regulations promulgated by this Commission governing water service, as follows:

(a) A program of systematic flushing of distribution mains shall begin immediately and a detailed record be maintained.

(b) An accurate map of the entire water system shall be made, and extension and improvements from and after the date of production of such map shall be added thereon currently. This map shall be prepared within ninety days of the date of this order and a copy filed with this Commission.

(c) A master meter shall be installed as soon as practicable and the Commission advised of the approximate date of installation.

2. The company is hereby ordered and directed to install a pump in the

second auxiliary well and make same available for service in the immediate future, and the Commission shall be advised of the approximate date of installation.

3. The company is hereby ordered and directed to increase the high service pumping capacity as soon as practicable and to advise the Commission of steps to be taken in this regard.

4. The company is hereby ordered and directed to institute a program of reinforcing the existing water distribution system and to loop the dead-end lines, where it is reasonable to do so, and shall advise the Commission of steps to be taken accordingly.

C. Rate Base

The rate base applicable to the water properties used and useful in public service of the Fordyce Water Company, Inc., at January 1, 1951, was and is \$153,464. The rate base applicable to the water properties used and useful in the public service of the Fordyce Water Company, Inc., at any time in the future shall be a proportion of the capital liabilities and surplus of Fordyce Water Company, Inc., determined from the sum of amounts in Accounts 200, 201, 202, 203, 204, 205, 210, 211, 212, 213, 240, 270, and 271 less the sum of amounts in Accounts 140, 150, 152, and 153, distributed as follows:

1. The water plant proportion of the total properties shall be determined in the following manner:

(a) From the amount in Account 100 shall be deducted the amounts in Accounts 250, 251, and 252;

(b) From the total in Accounts 110, 111, 112, 113, and 114 shall be deducted the amount in Account 253;

(c) The proportion of water plant

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to total properties shall be the percentage that the amount determined under (a) bears to the sum of amounts determined under items (a) and (b).

2. The resulting proportion shall be the applicable proportion of total capital liabilities and surplus of Fordyce Water Company, Inc., which shall constitute the water rate base.

D. *The Annual Return*

The fair annual return allowable shall be 6 per cent on the rate base as determined above.

E. *Annual Depreciation*

The Fordyce Water Company, Inc., be and is hereby ordered to continue its present rates and method of accruing annual depreciation on its depreciable property.

F. *Continuous Supervision of Fordyce Water Company, Inc.*

The Commission hereby makes effective the following provisions for the continuous supervision of the company's business, property, accounts, rates, services, revenues, and all other matters and things it is empowered by law to do, including the adoption of a sliding-scale arrangement for the control and disposition of future earnings, as follows:

1. *Definitions*

To the extent they appear therein, the terms used in this order have the meaning and definition contained in the "Uniform System of Accounts" prescribed for water utilities in Arkansas in the Commission's order dated the 10th day of November, 1943, in Docket 620, unless otherwise indicated.

(a) *Gross Water Operating Revenue*

means the amounts properly includable in Account 501.

(b) *Revenue Deductions* means the sum of the amounts properly includable in Accounts 502 to 507, inclusive.

(c) *Net Water Operating Revenue* means the difference between Items (a) and (b) above.

(d) *Water Rate Base* means the applicable proportion of capital stock, debt, and surplus computed by the method provided hereinbefore in these findings and order. The rate base in any period shall be the average amount of the base at the beginning and ending of such period.

(e) *Base Allowable Return* means 6 per cent per annum on the rate base described in Item (d) above, plus any amounts includable in Account 535, represented by interest payments to consumers on deposits made to secure the payment of bills for water service.

(f) *Excess Net Water Revenue* means the amount by which Item (c), *Net Water Operating Revenue*, exceeds Item (e) *Base Allowable Return*.

(g) *Deficient Net Water Revenue* means the amount by which Item (e), *Base Allowable Return*, exceeds Item (c), *Net Water Operating Revenue*.

(h) *Excess Gross Water Revenue* means the amount by which Item (a) exceeds the amount necessary to produce Item (e), *Base Allowable Return*, after giving effect to appropriate adjustment for related income taxes.

(i) *Deficiency of Gross Water Revenue* means the amount by which Item (a) would have to be increased to produce Item (e), *Base Allowable Return*, after giving effect to appropriate adjustment for related income taxes.

(j) *Excess Gross Water Revenue*

RE FORDYCE WATER CO., INC.

Deferred Credit means a deferred credit account hereby created to which Item (h), *Excess of Gross Water Revenue*, shall be credited or Item (i), *Deficiency of Gross Water Revenue*, shall be debited, as appropriate. No debit shall be made to this account if such debit would result in the creation of a debit balance in the account.

(k) *Excess Gross Water Revenue Deferred Credit Fund* means a special fund account hereby created to which cash equal in amounts to the credits or debits to Item (j), *Excess Gross Water Revenue Deferred Credit*, shall be debited or credited, as appropriate.

2. Administrative Procedure

(a) On or before thirty-one days after December 31st of each year, beginning in 1952, the company shall furnish the Commission, in the form to be prescribed by the Commission, the rate base, revenues, and expenses computed in accordance with this order for the preceding twelve months period ending December 31st.

(b) The company shall on or before December 31st of each year, beginning in 1951, determine the amount that shall be credited or debited to the *Excess Gross Water Revenue Deferred Credit Account* (hereinafter referred to as "Deferred Credit" Account) and such amounts shall be debited or credited, as appropriate, to a subdivision of Gross Water Operating Revenue, Account 501.

(c) The company shall establish a special cash account entitled *Excess Gross Water Revenue Deferred Credit Fund* (hereinafter referred to as "Fund") to which there shall be deposited an amount equal to any credit

made to the "Deferred Credit" Account, provided that the amount of any such deposit so required shall at any time be limited to the amount of the credit balance then existing in the "Deferred Credit" Account. To the extent that funds are available in said "Fund," the company may withdraw from said "Fund" the amount of any debit to the "Deferred Credit" Account. Other withdrawals shall be made only upon authorization of the Commission.

(d) If the report due not later than January 31st of any year shows a balance in the "Deferred Credit" Account exceeding \$3,000, all or any portion of the "Fund," in the discretion of the Commission, may be distributed as determined by it not later than June 30th of that year, as follows:

Of the first \$1,500 the company shall receive 50 per cent and the water customers of the company shall be refunded 50 per cent. Of any amount in excess of \$1,500 designated by the Commission to be distributed, the company shall receive 25 per cent and the water customers of the company 75 per cent. The customers' portion shall be refunded in such amounts, manner, and method as prescribed by the Commission at that time.

(e) Whenever the Excess Gross Water Revenues for any two consecutive years is in excess of 10 per cent of the Gross Water Operating Revenues for such period, the Commission may require a reduction in water service rate schedules, to be applicable to future business.

G. Retention of Jurisdiction

The Commission hereby retains jurisdiction over all matters and things

ARKANSAS PUBLIC SERVICE COMMISSION

of which this order is subject, and to which it is directed and of the party hereto.

H. *Effective Date of Order*
This order shall be in full force and effect from and after the date hereof.

COLORADO PUBLIC UTILITIES COMMISSION

Prospective Customers of Frontier Power Company v. Frontier Power Company

Case No. 5024, Decision No. 36283
March 22, 1951

MOTION to join co-operative association as codefendant in action to compel service by electric company; motion denied.

Parties, § 17 — Joinder of co-operative association as codefendant — Absence of Commission jurisdiction.

The Commission may not make a nonprofit co-operative association, organized under the Rural Electrification Act, a party respondent in an action to compel an electric company to serve a sparsely settled area which the company had offered to surrender to the association, since it has no jurisdiction over such an association.

APPEARANCES: Lee, Bryans, Kelly and Stansfield, Denver, for Frontier Power Company; Wilkie Ham, Lamar, for Southeast Colorado Power Association; Ray Nixon, City Manager, Trinidad, for city of Trinidad.

By the COMMISSION: In the complaint filed with the Commission on November 18, 1950, forty residents of the area described in the caption hereof, represented that they are potential consumers of electric light and power, but do not now have, nor have they in the past had, such light and power available; that Frontier Power Company is the holder of a certificate of public convenience and necessity to

serve the area with electrical energy, and has been repeatedly requested to render service to the potential customers in the area, but has consistently refused to do so; that said company has constructed no distribution lines in the area, and because of the existence of its certificate, no other potential utility or supplier of electrical energy could be interested in attempting to provide the residents of the area with such service.

Order to show cause or answer the complaint was served upon Frontier Power Company, under date of November 20, 1950, and on November 27, 1950, said company filed its answer

PROSPECTIVE CUSTOMERS v. FRONTIER POWER CO.

to the complaint, alleging, inter alia, that it has not rendered service in the area involved, for the reason that said area is sparsely settled, and it would be uneconomical and unjustifiable for the company to undertake to serve said area with all classes of electric service; that its officers have discussed the matter of releasing said area to the Southeast Colorado Power Association, and indicated a willingness to enter into an agreement with said Southeast Colorado Power Association, whereby and whereunder the company would release the area involved from its certificate of public convenience and necessity, upon the condition that company should be permitted to reserve the right to serve within said area industrial customers using 50 kilowatts of electric energy or more per month, but the offer has been refused by the association.

With its said answer, said respondent filed its motion for an order making the Southeast Colorado Power Association a party-respondent herein.

Respondent's motion was set for oral argument at the hearing room of the Commission, 330 State Office building, Denver, Colorado, for February 7, 1951, and on the date so set, Southeast Colorado Power Association submitted a motion to deny company's motion, on the ground that said association is a nonprofit corporation, organized under the laws of the state of Colorado; that it is a co-operative association, furnishing electrical energy to its members exclusively, and does not serve the public nor

hold itself out to serve the public; that it is organized under the provisions of the Rural Electrification Act of the United States, and subject to the rules and regulations of the Administrator of the Rural Electrification Administration, and has no authority to contract for the construction of electric lines and other facilities for the distribution of electric power without the approval and consent of said Rural Electrification Administration; that it has no funds accumulated from advances by the United States Government for construction of electric facilities in territory additional to that which it now serves; that it is not authorized to, and is not willing to, enter into the agreement proposed by said Frontier Power Company, as set forth in its answer.

Argument was heard on behalf of all interested parties, and the matter was taken under advisement.

It appears from the record and the argument that this Commission has no present jurisdiction over the Southeast Colorado Power Association, a nonprofit co-operative association, organized under the provisions of the Rural Electrification Act, in the area described in the complaint herein, and has no power to make said association a party-respondent herein.

The Commission finds:

That the motion of respondent, Frontier Power Company, for an order making the Southeast Colorado Power Association a party-respondent herein, should be denied.

WISCONSIN PUBLIC SERVICE COMMISSION

Re Langlade Telephone Company

2-U-3441
March 16, 1951

INVESTIGATION on Commission motion of telephone company's refusal to extend service to persons residing in other companies' service areas; existing companies given sixty days to improve service and jurisdiction retained for further action as required.

Monopoly and competition, § 48 — Inadequacy of existing service — Opportunity to improve service.

An existing public utility is entitled to a reasonable opportunity to make its service adequate, but if it fails to do so after reasonable opportunity has been given, the Commission may find that extension of service by another public utility into the affected area is required by public convenience and necessity.

By the COMMISSION: On September 5, 1950, Mrs. Charles McClean and twenty-one other residents of the town of Norwood, Langlade county, filed a petition with this Commission stating that they desired an extension of telephone service to their premises from the Antigo exchange of the Langlade Telephone Company. The Commission issued a notice of investigation and assessment of costs in the above proceeding on November 9, 1950.

Hearing: December 5, 1950, at Wausau before examiner John S. Cavanaugh.

APPEARANCES: Complainants, by Mrs. Charles McClean; Langlade Telephone Company, by Ivan Shaver, Antigo. Of the Commission staff: C. F. Riederer, engineering department.

Facts of Record

The Commission finds the essential

evidentiary facts herein to be the following:

The twenty-two petitioners reside 5 to 9 air-miles southeast of Antigo in the town of Norwood, Langlade county. They request that the Langlade Telephone Company, which operates the Antigo exchange, be required to serve them notwithstanding the fact that their premises are located generally nearer the lines of certain roadway companies which are switched at the Antigo central. Witnesses testified that their principal reason for desiring service from the Langlade Telephone Company was that service furnished by the roadway companies was entirely inadequate.

All but two of the petitioners reside in what should properly be the service area of the Rolling Mutual Telephone Company, one of the roadway companies switched at Antigo. An abandoned branch line of this company is still in evidence where it passes the

RE LANGLADE TELEPHONE CO.

farms of several of the witnesses. This portion of line apparently has not been in use for some time and is no longer in usable condition. The large majority of the complainants reside nearer to the lines of the Rolling Mutual Telephone Company than to the facilities of any other telephone company.

The remaining two petitioners reside near the south end of a branch line of the Sugar Bush Telephone Company in the vicinity of Moose Lake; and they are considered to be in the territory of this roadway company, which also is switched at Antigo.

The Langlade Telephone Company serves in the town of Norwood, but its lines are generally further away from the petitioners' locations than are the lines of the switched companies. It objects to extending its lines to the applicants because of the cost involved, which it estimated to be about \$6,800. The extension rule on file provides for a free extension of one-third mile per applicant from the nearest existing facilities. The prospective subscribers are sufficient in number and are so located as to require the extension of service to all, without assessment.

The company further objects to making this extension for reason that for the first $5\frac{1}{2}$ miles out of the town of Antigo the pole line is owned by a switched line, the Meyking Telephone Company. To service the petitioners the Langlade Telephone Company would have to string three circuits on this pole line for $5\frac{1}{2}$ miles and then build approximately $7\frac{1}{2}$ miles of new pole lines. Existing switched-line facilities would be paralleled for a distance of about 2 miles by the new pole line.

The petitioners are in need of reasonably adequate telephone service with direct connection to Antigo, which represents the point where their community of interest lies. Whether this service be provided by the Langlade Telephone Company or by the above-mentioned roadway companies should normally be immaterial since all connect at the Antigo central office. However, the testimony shows that service furnished by the roadway companies is not reasonably adequate because the lines are noisy and transmission is poor.

Opinion

The law is well established that an existing public utility upon a finding that its service is inadequate is entitled to a reasonable opportunity to make its service adequate. If a utility after reasonable opportunity to make its service adequate fails to do so, the Commission has power under the law to find that extension of service by another public utility into the affected area is required by public convenience and necessity. See *Union Co-op Teleph. Co. v. Public Service Commission*, 206 Wis 160, PUR1932B 269, 239 NW 409.

The supreme court of Ohio in *Commercial Motor Freight v. Public Utilities Commission* (1950) 154 Ohio St 388, 87 PUR NS 348, 95 NE2d 758, ruled that a protesting carrier holding authority to serve a certain territory be given a period of sixty days within which to expand its present operations to provide additional service over the routes being served by it. The carrier having done nothing to improve the service within the 60-day period, the court declared that the

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Commission lawfully and reasonably granted applications of other carriers to serve the territory. This Commission in its docket 2-U-2947, Gates v. Wisconsin Teleph. Co. (1949) 79 PUR NS 311, directed two companies, which held authority in the territory for which service was requested, to submit plans and commitments for improvement of their service; and upon their failure to present such plans, a further order was issued in which it was found that said companies had in fact abandoned service in the area in which they were authorized to serve and directed Wisconsin Telephone Company to extend service to the petitioners as requested.

Findings of Ultimate Fact

The Commission finds:

1. That the facts of record as above set forth constitute the evidentiary facts herein.

2. That Rolling Mutual Telephone Company and Sugar Bush Telephone Company both have held and now hold themselves out to furnish telephone service to the public in the town of Norwood, Langlade county, and own and operate plant and equipment in said town for such purpose, and that the aforesaid companies are not furnishing adequate service to the petitioners.

3. That Langlade Telephone Company is a public utility serving in the town of Norwood, Langlade county,

and that the petitioners reside in a portion of said town not presently served by said company.

Conclusion of Law

The Commission concludes:

1. That Rolling Mutual Telephone Company and Sugar Bush Telephone Company are public utilities and as such have an obligation to furnish reasonably adequate service to the public within the area in which they have undertaken to or are obligated to serve.

2. That the Public Service Commission has jurisdiction to issue an order directing Rolling Mutual Telephone Company and Sugar Bush Telephone Company to submit plans for furnishing adequate service to the petitioners, and that such an order should be issued herein.

ORDER

It is therefore *ordered*:

1. That Rolling Mutual Telephone Company and Sugar Bush Telephone Company, within sixty days from the date of this order, submit to the Commission definite plans for furnishing adequate telephone service to the petitioners, all of whom are located in the town of Norwood, Langlade county.

2. That jurisdiction be and hereby is retained for such further action as the facts may require at the expiration of the 60-day period referred to in paragraph (1).

OHIO SUPREME COURT

State
v.
Western Union Telegraph Company

No. 32250
— Ohio St —, 97 NE2d 2
February 14, 1951

A PPEAL from lower court decision holding telegraph company's substitution of service was no unlawful abandonment; affirmed.

Service, § 488 — Pleadings — Abandonment of service.

1. An allegation that certain action will constitute an abandonment or substitution of service, without setting forth the character of the substitution, is not an allegation that such action will constitute an abandonment of service, p. 114.

Pleading, § 2 — Alternative statements — Sufficiency of cause of action.

2. Where a petition alleges in the alternative two statements of fact, one of which is sufficient to constitute a cause of action and the other is not, a cause of action is not stated, p. 114.

Service, § 214 — What constitutes abandonment — Substitution — Telegraph company.

3. Depending upon its character, a substitution of service by a public utility may or may not involve an abandonment of service within the meaning of §§ 504-2 and 504-3, General Code, p. 115.

Service, § 214 — What constitutes abandonment — Substitution — Telegraph company.

4. Where a substitution of service by a public utility will result in improving the service rendered, such substitution will not amount to an abandonment of service within the meaning of §§ 504-2 and 504-3, General Code, even though it will involve abandonment of old facilities which are replaced. *Pittsburgh & W. V. R. Co. v. Public Utilities Commission* (1929) 120 Ohio St 434, 166 NE 372, approved and followed, p. 115.

Service, § 57 — Commission jurisdiction — Abandonment.

5. The Public Utilities Commission of Ohio has no jurisdiction to make any order under §§ 504-2 and 504-3, General Code [relating to service abandonment], except pursuant to an application to the Commission made in accordance with the provisions of those sections by the parties described therein, p. 116.

Service, § 57 — Commission jurisdiction — Petition to abandon.

6. An order of the Public Utilities Commission of Ohio directing a telegraph company to file such an application [for abandonment] is void, p. 116.

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Service, § 490 — Necessity of findings — Abandonment — Commission orders — Telegraph company.

7. In a proceeding by the state brought on behalf of the Public Utilities Commission of Ohio to enjoin a telegraph company from abandoning part of its service without applying for and securing the approval of that Commission under § 504-3, General Code, no relief may be given unless the court determines as a fact that such action does amount to an abandonment of service, p. 116.

Constitutional law, § 2 — When question can be raised.

8. Constitutional questions will not be decided until the necessity for their decision arises. Paragraph one of the syllabus in *State ex rel. Lieux v. Westlake* (1951) 154 Ohio St 412, 96 NE2d 414, approved and followed, p. 117.

Headnotes by the COURT.

The state of Ohio commenced this action in the common pleas court of Franklin county seeking to enjoin The Western Union Telegraph Company, herein referred to as Western Union, "from abandoning, discontinuing, or substituting" its intrastate utility service in Bellefontaine, Delphos, Lebanon, Marysville, Mt. Gilead, and Ottawa, Ohio, without first complying with an alleged order of the Public Utilities Commission of Ohio, herein referred to as the Commission, made on June 17, 1947, and with the laws of the state. Western Union filed an answer to the state's petition and the state filed a reply to that answer. Thereafter, Western Union filed a motion for judgment on the pleadings. That motion was granted by the common pleas court.

The judgment of the common pleas court was affirmed by the court of appeals.

The case is before this court on appeal from the judgment of the court of appeals, a motion to certify having been allowed and a motion to dismiss an appeal of right having been overruled.

APPEARANCES: Herbert S. Duffy, Attorney General and Kenneth B. Johnston, Columbus, for appellant; Vorys, Sater, Seymour & Pease and James A. Gorrell, all of Columbus, John H. Waters and William G. H. Acheson, New York city, for appellee.

TAFT, J.: The first question to be considered is whether the action, which it is alleged that Western Union proposes to take with regard to its service in these communities, can be taken without first securing the approval of the Commission. The answer to this question depends upon an analysis of the allegations of the pleadings and the terms of §§ 504-2 and 504-3, General Code.

So far as material to a consideration of the questions involved in this case, those sections read as follows:

"Section 504-2. . . . no public utility . . . furnishing service or facilities within the state of Ohio, shall abandon or be required to abandon or withdraw any . . . telegraph line . . . or any portion thereof . . . or service station of a public utility, or the service rendered thereby, which has once been laid, constructed, opened,

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and used for public business, nor shall [sic] be closed for traffic or service thereon, therein or thereover *except as provided in § 504-3* [General Code]. Any . . . public utility violating the provisions of this section shall forfeit and pay into the state treasury not less than \$100 nor more than \$1,000, and shall be *subject to all other legal and equitable remedies for the enforcement of the provisions of this act.* [Sections 504-2 to 504-3, General Code.]

"Section 504-3. . . . any such public utility . . . desiring to abandon or close, or have abandoned, withdrawn, or closed for traffic or service all or any part of such line or lines . . . or service station, shall first make application to the Public Utilities Commission in writing. . . .

"Upon the hearing of said application said Commission shall ascertain the facts, and make its finding thereon, and if such facts satisfy the Commission that the proposed abandonment, withdrawal, or closing for traffic or service is reasonable . . . they may allow the same; . . . Provided, however, that should the application ask for the abandonment or withdrawal of any . . . telegraph line . . . service station, or the service rendered thereby, in such manner as can result in the permanent abandonment . . . of service and facilities of any such public utility, no application shall be granted unless the company or public utility shall have operated said . . . telegraph line . . . or service station for . . . at least five years, and such notice shall be given by publication in a newspaper of general circulation throughout any county or

municipality which may have granted a franchise to said company or public utility, under which said . . . telegraph line . . . or service station is operated or in which the same is located, . . .

"The provisions of this section shall apply to all such service now rendered and facilities furnished or hereafter built and operated. . . ." (Italics ours.)

The petition contains allegations that Western Union proposes "to discontinue, abandon, and substitute all its class 1-B telegraph offices" in certain communities and to "substitute service therein by local telephone companies under the management of the Telephone Service Company of Ohio." Throughout the petition, this proposed action of Western Union is referred to as a "discontinuance, abandonment, or substitution" of service.

The petition alleges that Western Union "had made no application for the discontinuance, abandonment, or substitution of service" to the Commission; that the Commission, "upon its own motion, issued an order . . . requiring . . . Western Union . . . to show cause why an application for discontinuance, abandonment, or substitution should not be filed with the . . . Commission as required by §§ 504-2 and 504-3, General Code"; that Western Union appeared "for the purpose of denying jurisdiction of the state of Ohio and the Public Utilities Commission of Ohio over proposed discontinuance, abandonment, or substitution of . . . service"; that, on June 17, 1947, the Commission made an order finding "that the proposed discontinuance, abandonment, or substitution of its class 1-B tele-

OHIO SUPREME COURT

graph offices in each of the communities involved and substitution of the teleprinter to be established and operated by the local telephone company is abandonment, substitution, *or change* in service as contemplated by §§ 504-2 and 504-3 of the General Code," and directed Western Union to file an application with and receive approval of the Commission "prior to making the contemplated or proposed abandonment or change in service"; that Western Union had entered into contracts with the Telephone Service Company under which it "will discontinue operations of its offices and agencies" in the communities involved "and . . . the Telephone Service Company will handle all telegraph business from and to such cities"; and that, without obeying and complying with the order of the Commission of June 17, 1947, Western Union will "proceed to abandon, discontinue, *or substitute* intrastate utility service in" the communities involved. (Italics in quoted portion added.)

An examination of the order of the Commission, dated June 17, 1947, which is an exhibit to the petition, discloses that it is substantially as described in the petition and contains a finding "that the proposed discontinuance of its class 1-B telegraph offices" in the communities involved "and the substitution of teleprinter operated agency offices to be established at each place . . . is abandonment, substitution, *or change* in service as contemplated in §§ 504-2 and 504-3 of the General Code of Ohio."

An examination of the contract made between Western Union and the Telephone Service Company of Ohio, a copy of which is attached to the

petition and made a part thereof, does indicate that certain telegraph offices, theretofore operated by Western Union in the communities involved, are to be closed but it also indicates clearly that the service furnished by those offices is to be rendered by other facilities. If the petition had alleged definitely that the action to be taken by Western Union under these contracts would amount to an abandonment of service, we would have a different question from that presented by this record. However, the petition merely alleges that such action will constitute abandonment *or substitution* of such service.

[1] An analysis of the petition clearly discloses that the proposed action of Western Union, about which the state complains, is not alleged to constitute merely the abandonment, closing, or withdrawal of a telegraph line or any portion thereof, or a service station of a public utility, or the service rendered thereby. On the contrary, such proposed action is consistently described in the petition as an abandonment, discontinuance "or" substitution of service. It would seem obvious that an allegation that certain action will constitute an abandonment *or* a substitution of service is not an allegation that such action will constitute an abandonment of service. Such allegations could be sustained by proof that such action will constitute a substitution. If the words used had been "abandonment *and* substitution," then an abandonment would have been alleged.

[2] It is obvious that, where a petition alleges in the alternative two statements of fact, one of which is sufficient to constitute a cause of action

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and the other is not, a cause of action is not stated. 41 Amer Jurisp 317, § 41.

[3, 4] We find nothing in §§ 504-2 or 504-3, General Code, relating to substitution. Obviously, a substitution may involve an abandonment within the meaning of those sections. *New York C. R. Co. v. Public Utilities Commission* (1931) 123 Ohio St 560, 176 NE 219; *Cincinnati v. Public Utilities Commission* (1940) 137 Ohio St 437, 38 PUR NS 378, 30 NE2d 797. On the other hand, it may not involve such an abandonment. For example, this court has pointed out that a substitution may result in an improvement of the service rendered, and that such a substitution, even though technically it involves abandonment of old facilities, would not amount to an abandonment within the meaning of §§ 504-2 and 504-3, General Code. *Pittsburgh & W. V. R. Co. v. Public Utilities Commission* (1929) 120 Ohio St 434, 166 NE 372. It would be absurd to contend that, if, because of technological advances in science, a telegraph company desired to replace its telegraph line with a better line, such replacement would involve an abandonment within the meaning of those sections; or that the change in location of a telegraph office in a particular community, so as to enable the telegraph company to render better service than it had at the previous location, would involve such an abandonment. While the services previously performed by Western Union at its own offices are here to be replaced by services performed by the Telephone Service Company, it does not follow that Western Union is abandoning the rendering of service.

In the past, Western Union has had to employ individuals to furnish the services for which it will now contract. The mere fact, that it contracts with another for performance of services, instead of employing others to perform them, does not indicate that it has abandoned the rendering of those services. *Cleveland, C., C. & I. R. Co. v. Schneider* (1887) 45 Ohio St 678, 695, 696, 17 NE 321.

In effect, the petition alleges that Western Union is proposing to do something which may or may not require Western Union to secure approval from the Commission. Certainly such a petition does not allege proposed action which will require Commission approval. We have grave doubt, therefore, as to whether the petition states a cause of action. If we resolve that doubt in favor of the pleader, see § 11345, General Code, then we must likewise resolve in favor of Western Union any doubts we may have with respect to allegations of the answer that are admitted by the reply. This leads inevitably to the conclusion that the proposed substitution is not an abandonment within the meaning of §§ 504-2 and 504-3, General Code.

It its answer, the defendant alleges that it did apply to the Federal Communications Commission "for the discontinuance" of some of its services but states:

"4. In said application defendant proposed to continue to render its services in the transmission of messages and services incidental thereto in interstate and intrastate commerce, such services to be provided through teleprinter agency offices operated by local telephone companies, each under the management of the Telephone Service

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Company of Ohio, all as particularly described in said application and in the 'Report of the Commission.' "

Both that application and that report were made a part of the answer. These allegations are admitted by the reply to be true. A reading of that application and of that report clearly discloses that the substituted service, to be provided by Western Union, will result in improving the service now being rendered.

[5] It is argued that the Commission is better fitted than a court to determine whether certain proposed action of a public utility will constitute an abandonment of service. However, § 504-2, General Code, provides that a public utility violating its provisions shall forfeit and pay to the state not less than \$100 nor more than \$1,000; and provides that such utility "shall be subject to all other legal and equitable remedies for the enforcement" of that and the succeeding section. There are no provisions of law investing in the Commission any jurisdiction with respect to the imposition of such forfeiture or any jurisdiction with respect to the enforcement of the provisions of those two sections. The Commission is given no jurisdiction to make any order under those sections, except where an application to the Commission has been made by one of the parties described therein. No such application was made in the instant case. In order to assess the forfeiture provided for or to take advantage of any legal or equitable remedies for the enforcement of the provisions of these sections, it would, therefore, be necessary for the state to seek court action. In order to determine whether the forfeiture should be assessed or any rem-

edy for enforcement given, a court would necessarily be required to find whether there had been an abandonment or withdrawal of service.

The state argues that the judgments of the lower courts, in effect, represent an overruling or reversing of an order of the Commission, which is forbidden by § 549, General Code. That section reads:

"No court other than the supreme court shall have power to review, suspend or delay any order made by the Commission, or enjoin, restrain, or interfere with the Commission or any member thereof in the performance of official duties. Nor shall the writ of mandamus be issued against the Commission or any member thereof by any court other than the supreme court."

[6] The obvious answer to this contention is that the Commission had no jurisdiction to make the order of June 17, 1947. That order was, therefore, void, a nullity and subject to collateral attack. The trial court properly ignored it.

Sections 504-2 and 504-3, General Code, do require a utility to apply for and secure permission from the Commission before it does certain acts. However, no statutory provisions give the Commission any authority to order a utility to make such application.

[7] If the utility, without having secured permission from the Commission, does acts, for the doing of which those sections of the Code require Commission approval, court action may be taken to assess a penalty against the utility. If the utility is threatening to do such acts without Commission approval, court proceedings may be commenced to enjoin the utility from thus violating the law. If

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the Commission induces the state to choose this latter means, as it apparently did in the instant case, the state has, like any other plaintiff, the burden of establishing affirmatively that the action which the utility is threatening to take is action which can only be taken with Commission approval. Then the court must decide that question.

[8] One of the grounds stated by the common pleas court, in support of its judgment, was that the power and authority of the Federal Communications Commission superseded that of

the Public Utilities Commission of Ohio. This involved a constitutional question. It is not necessary to consider that constitutional question in determining whether the judgment of the common pleas court was correct. As recently pointed out by this court, constitutional questions will not be decided until the necessity for their decision arises. *State ex rel. Lieux v. Westlake* (1951) 154 Ohio St 412, 96 NE2d 414.

Judgment affirmed.

Zimmerman, Stewart, Middleton, Matthias, and Hart, JJ., concur.

NEW YORK PUBLIC SERVICE COMMISSION

Frances Cardone et al.

v.

Consolidated Edison Company of
New York, Incorporated

Case 15183
April 10, 1951

COMPLAINT against method of billing for gas service after rate increase and request for refund; dismissed.

Payment, § 17 — Billing for rate increases — Proration of consumption — Rules.

1. A general rule providing that duly filed rate changes, unless otherwise expressly stated in revised schedule leaves, shall apply to service supplied to the customer commencing with the first scheduled meter reading date on or after the effective date of the rate change does not apply when revised leaves of a schedule increasing rates contain the provision that the rates shall apply to all service supplied on and after the effective date of the filing, p. 119.

Discrimination, § 193 — Billing for rate increase — Prorating to effective date.

2. Prorating measured gas consumptions on a time basis and applying increased rates to consumptions so apportioned for periods on and after the date of a rate change is in conformity with the statutory prohibition against discrimination in charges for the same service, since if new rates

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are not applied until the first full billing period after the effective date some consumers pay the old rates and other consumers pay the new rates at the same time for like and contemporaneous service during the same period, p. 119.

Payment, § 17 — Proration of consumption after rate change — Gas rate increase and electric rate decrease.

3. A consistent method must be followed in respect to billing for a gas rate increase and an electric rate decrease ordered at the same time, such as billing on the basis of prorated measured consumptions applied to the new rates for periods on and after the effective date of the rate change, p. 119.

Payment, § 17 — Billing for rate increase — Proration of consumption.

4. A gas company may properly prorate measured consumptions on a time basis and apply increased rates to consumptions so apportioned for periods on and after the date of a rate increase, in view of the impracticality of reading all meters the same day; and a complaint against such action instead of applying the increased rates to various customers commencing with the first scheduled meter reading date on or after the effective date of the rate increase should be dismissed, p. 119.

APPEARANCES: Sherman C. Ward, Acting Counsel (by Frank C. Bowers, Assistant Counsel), for the Public Service Commission; Lesser & Lesser (by Harry Lesser), Attorneys, New York city, for Frances Cardone, Anna M. O'Connor, United Civic Associations of The Bronx, Bathgate Taxpayers Association, Cranford Taxpayers Association, Edenwald Taxpayers Association, Williamsbridge Taxpayers and Civic Association, North Bronx City Line Taxpayers Association, Queens Committee for Lower Utility Rates, Flushing Heights Civic and Improvement Association, Hillside Queens Civic Association, Harding Heights Civic Association, The Oakland Hills Community Association, Argyle Village Civic Association, Civic Association of Queensboro Hill, Flushing Heights Taxpayers Association, Flushing Manor Civic Association, Inc., Tyholland Civic Association, Bellside Civic Association, and Union Garden Civic Organization; Whitman, Ransom, Coulson & Goetz (by Colley E. Williams and

Sidney L. Davis), New York city, Attorneys, for Consolidated Edison Company of New York, Inc.; John P. McGrath, Corporation Counsel (by William A. Marks, Deputy Assistant Corporation Counsel), New York city, for the city of New York; Ignatius Castelli, New York city, for United Civic Associations of The Bronx and Pelham Bay Taxpayers Association; Royal E. Dalrymple, St. Albans, President, Eastern Queens Civic Council and St. Albans Civic Improvement Association, Inc.

By the COMMISSION: The matter at issue in this proceeding, and the positions taken by the parties thereto, are set forth in the memorandum of the hearing examiner dated March 28, 1951. Briefly, complainants contend that bills rendered by Consolidated Edison Company of New York, Inc. for gas supplied during periods just after the rate change of January 10, 1949, were improper in that the company prorated the measured consumptions on a time basis and applied the new rates to consumptions so appor-

CARDONE v. CONSOLIDATED EDISON CO. OF NEW YORK

tioned for periods on and after that date.

[1-4] Specifically, the filed complaint asked that an order be entered by this Commission requiring the company "to adhere to the practice specified by the General Rule III 7(h)" and requiring the company "to refund to its consumers the excessive costs and charges which it exacted based upon the unlawful and erroneous practice of estimating the quantity of gas consumed by its customers." The rule referred to reads as follows:

General Rule III 7(h):

"Billing of Changes in Rates: The rates, charges, and classifications of service set forth in this rate schedule or in amendments thereof by revised leaves hereafter duly filed and in effect shall, unless otherwise expressly stated therein, apply to service supplied to the customer commencing with the first scheduled meter reading date on or after the effective date set forth in such rate schedule or revised leaves thereof."

The company contends that this general rule was rendered inoperative by the provisions contained in the individual service classification leaves: "The foregoing rates and the minimum charge shall apply to all gas service supplied on and after the effective date hereof . . ." making the new rates applicable to all service supplied on and after January 10, 1949; that it was required to bill for service supplied prior to that date at the old rates and for service supplied on and after that date at the new rates; that since it could not read all of its meters on one day proration was its only alternative; and that the proration procedure adopted by it was just and rea-

sonable and produced equitable results for it and its customers. The company urges that the Commission should so find and that the complaint should be dismissed.

Discussion

Gas rate changes and the electric rate changes both were made effective on January 10, 1949. Complainants contend that the new gas rates should not have been applied for billing purposes until the first complete billing period after January 10, 1949, citing the general rule above quoted in support of this contention.

It is the decision of the Commission that this general rule did not apply because of the specific phraseology in the individual tariff leaves providing that the new rates apply to all service on and after the effective date January 10, 1949.

This decision is made also in conformity with the statute (subdivisions 2 and 3 of § 65 of the Public Service Law) to the effect that no gas or electric utility collect or receive a greater or less compensation for any gas or electric service rendered than is collected or received for any like and contemporaneous service, and that no such utility grant any undue or unreasonable preference or advantage to any consumer or subject any consumer to any undue or unreasonable prejudice or disadvantage. If, as contended by complainants, the new rates had not been applied until the first full billing period after the effective date, some consumers would have paid the old rates and other consumers would have paid the new rates at the same time for like and contemporaneous service during the same period.

At the time of the determination of

NEW YORK PUBLIC SERVICE COMMISSION

interim gas rates a temporary reduction was ordered in electric rates by this Commission. It is obvious that a consistent method must be followed in respect to both. To follow the method suggested here would require a rebilling of the electric customers with additional charges to them of approximately \$1,500,000, as against an estimated reduction of \$800,000 in the gas billings. In permitting the tariff leaves to become effective the Commission considered the over-all effect on all customers.

Conclusion

By tariff provision and statute, the

new gas rates and the new electric rates were to apply to all service supplied on and after the effective date thereof. Proration was necessary because of the impracticality of reading all meters the same day. There are various possible methods of proration and while that used by the company may be subject to criticism in certain respects, the proration method it followed cannot be held to be unreasonable under the circumstances. The complaints should be dismissed and the proceeding closed.

FLORIDA RAILROAD AND PUBLIC UTILITIES COMMISSION

Re Tank Truck Operators

Docket No. 1702, Order No. 1669
March 23, 1951

INVESTIGATION into meaning of term "petroleum, petroleum products, and petroleum by-products" in relation to operating rights of truck operators; determination made.

Certificates of convenience and necessity, § 127 — Scope of authority — Motor carrier — Carriage of asphalt.

The term "petroleum, petroleum products, and petroleum by-products" as used in the common carrier certificates of tank truck operators does not include asphalt, tar, and similar commodities, and holders of such certificates are not authorized to include such commodities in their tariff provisions.

APPEARANCES: Lewis H. Hill, Tampa, appeared for Redwing Carriers, Inc., respondent; Martin Sack, Jacksonville, appeared for Petroleum Carrier Corporation, Motor Fuel, Inc., Florida Tank Lines, and State Oil Company, respondents; G. V. Jones, St. Augustine, appeared for Florida

East Coast Railway Company, Seaboard Air Line Railroad Company, Louisville & Nashville Railway Company, and Atlanta & St. Andrews Bay Railway, as their interest might appear; Earl P. Crow, Wilmington, North Carolina, appeared for Atlantic Coast Line Railroad Company, as its

RE TANK TRUCK OPERATORS

interest might appear; William P. Tomasello, Bartow, appeared for Woodall, Inc., as its interest might appear; F. E. Harrison, Tallahassee, appeared for the State Road Department as its interest might appear.

By the COMMISSION: By Order No. 2358 entered by this Commission in Docket No. 1702 on January 25, 1950, an investigation was conducted for the purpose of ascertaining the meaning of the term "petroleum, petroleum products, and petroleum by-products" as the same relates to the operating rights and tariff provisions of the different tank truck carriers holding certificates of public convenience and necessity and operating under the jurisdiction of this Commission for the purpose of determining whether or not native asphalt, cut-back asphalt, tar, and similar commodities are embraced within the meaning of said term.

We have made a thorough and comprehensive investigation into this matter. Testimony has been received bearing upon the natural characteristics and chemical make-up of the different commodities involved. A careful study has been made of the operating rights of the various carriers and the circumstances surrounding the issuance of the various certificates which authorize the transportation of "petroleum, petroleum products, and petroleum by-products," as well as the testimony upon which the certificates were based.

Testimony before the Commission indicates that there is a native asphalt which is produced primarily in Trinidad through the natural process of evaporation. There is also an artificial asphalt which is produced commercially by artificial evaporation or

the process of refinement. From a strictly technical standpoint asphalt is a by-product of petroleum. However, the Commission is of the opinion that the issues here are to be determined not from the chemical analysis of the particular commodities involved but rather from the intent of the Commission at the time the various operating rights were granted. The real question has to do with what did the Commission mean by the term "petroleum, petroleum products, and petroleum by-products" when those terms were used in the certificates authorizing the common carriage of such commodities in bulk in tank trucks.

In the exercise of its regulatory jurisdiction this Commission has never considered that asphalt is included in the term "petroleum, petroleum products, and petroleum by-products." Nor has this Commission ever considered that said term "petroleum, petroleum products, and petroleum by-products" embraced anything other than fuel petroleum.

On July 3, 1944, in Docket No. 664 this Commission considered the application of Motor Fuel Carriers, Inc., for correction of its certificate of public convenience and necessity No. 16 so as to authorize the transportation of "petroleum, petroleum products, and petroleum by-products" rather than "bulk petroleum products" as provided in said certificate at that time. In the testimony in that case it was stated by a witness for the carrier that petroleum products would include gasoline, kerosene distillates, C grade fuel oil, and crude petroleum. The question was asked by one of the Commissioners whether the term would include asphalt and the witness replied that it

FLORIDA RAILROAD AND PUBLIC UTILITIES COMMISSION

would. It was then stipulated by the parties that the general order classifying tank truck operators as common carriers might be amended by the Commission so as to give all such carriers the same operating rights as to commodities.

However, the Commission did not see fit to so amend the general order and two days later proceeded to consider the application of Central Oil Company, Inc., for an extension of its certificate of public convenience and necessity so as to include therein the transportation of asphalt in bulk. The application for extension was granted and specific authority was written into the certificate for the transportation of asphalt in bulk. Thus carriers and Commission alike have in the past taken the position that specific authority is required for the transportation of asphalt in tank trucks in bulk.

We do not feel that the Commission should place a different construction on the operating rights of the various tank truck operators. If existing certificates are construed as authorizing the transportation of asphalt where such commodity is not specifically mentioned therein the effect would be to authorize several new carriers in this particular field when there has been no showing that public convenience and necessity require additional service. So far as the record herein is concerned present facilities are adequate to meet the needs of the public.

From its investigation herein, the Commission finds that the entire his-

tory of the Commission's actions with reference to the operating rights of tank truck operators is inconsistent with an interpretation or construction, at this time, that the term "petroleum, petroleum products, and petroleum by-products" as used in the common carrier certificates of tank truck operators includes native or cut-back asphalt, tar, or similar commodities. The Commission further finds that no tank truck operator in this state has a right to transport said commodities under the certificates issued by this Commission unless said commodities are specifically mentioned herein, nor do said carriers have a right to publish tariff provisions concerning the transportation of said commodities.

Now, therefore, in consideration thereof, it is ordered, adjudged, and decreed by the Florida Railroad and Public Utilities Commission that certificates of public convenience and necessity heretofore issued by this Commission to tank truck operators authorizing the transportation of "petroleum, petroleum products, and petroleum by-products" in bulk in tank trucks shall not be construed to include native or cut-back asphalt, tar, or similar commodities, and said certificate holders who are presently engaged in the transportation of said commodities intrastate within the state of Florida, and whose certificates do not specifically include said commodities, are hereby directed to cease and desist immediately from the transportation of all such items and commodities not specifically listed in said certificates.

WISCONSIN PUBLIC SERVICE COMMISSION

Leo Schreiter

v.

Wisconsin Telephone Company et al.

2-U-3501

March 29, 1951

COMPLAINT by resort operator regarding inability to secure telephone service; service extension ordered.

Service, § 209 — Obligation to extend telephone service — Preference as to company serving area.

A toll line telephone company serving within one half mile of the property of a resort operator was ordered to render service to his premises, notwithstanding the customer's preference for service from a statewide company which maintained facilities about a mile and a half from the premises, where the statewide company did not desire to make the extension (which would require considerably more scarce telephone materials than the extension of the toll line company) and where the toll line company had no objection to making the extension and had adequate toll circuits between its exchange and the community in which the statewide telephone company maintained its exchange.

By the COMMISSION: Leo Schreiter, Route 2, Shawano, operator of a resort located in section 13, town of Wescott, Shawano county, informed the Commission by letter dated November 20, 1950, of his inability to secure telephone service. He stated that he would prefer service from the Shawano exchange of the Wisconsin Telephone Company.

The Cecil-Green Valley Toll Line Company, which serves in the area near the Schreiter residence, has no objection to the requested extension of Shawano service. However, the Wisconsin Telephone Company does not desire to make the extension.

APPEARANCES: Leo Schreiter and

Mrs. Leo Schreiter, Shawano; W. E. McGavick, attorney, Milwaukee, for Wisconsin Telephone Company; R. L. Schmidt, Secretary and Manager, and J. L. Rollman, Director, Cecil, for Cecil-Green Valley Toll Line Company.

Opinion

This proceeding concerns the request of Leo Schreiter for telephone service at his residence located in section 13, town of Wescott, Shawano county. The complainant's primary desire is to obtain telephone service. He prefers service from the Shawano exchange of the Wisconsin Telephone Company; however, he has also re-

WISCONSIN PUBLIC SERVICE COMMISSION

requested service from the Cecil-Green Valley Toll Line Company.

The complainant desires telephone service for the conduct of his business as a resort operator. His premises are located $4\frac{3}{4}$ miles from Cecil and 10 miles from Shawano. The premises are slightly over $\frac{1}{2}$ mile from Cecil-Green Valley Toll Line Company facilities and about $1\frac{1}{2}$ miles from lines of the Shawano exchange of Wisconsin Telephone Company.

The Wisconsin Telephone Company has requests from other subscribers on the line in question for service and for regrades to higher quality service.

Since the complainant is willing to accept service from Cecil, and because adequate toll circuits exist between Cecil and Shawano, it appears that the Cecil-Green Valley Toll Line Company should serve the Schreiter premises. This will also require considerable less scarce telephone materials to provide service.

The Commission finds:

That the requested extension of telephone service to the premises of

Leo Schreiter in section 13, town of Wescott, Shawano county, is required for the rendition of reasonably adequate telephone service to said applicant and the public and by public convenience and necessity, and that the most reasonable and feasible method of providing such extension would be by its being made by the Cecil-Green Valley Toll Line Company.

The Commission therefore concludes:

That it has jurisdiction to enter an appropriate order requiring Cecil-Green Valley Toll Line Company to extend service to the premises of Leo Schreiter.

ORDER

It is therefore ordered:

That the Cecil-Green Valley Toll Line Company be and it hereby is ordered to extend telephone service to the premises of Leo Schreiter, section 13, town of Wescott, Shawano county, within ninety days from the date of this order.

LOUISIANA PUBLIC SERVICE COMMISSION

Louisiana Public Service Commission

v.

Peoples Water Service Company

No. 5449, Order No. 5617
February 2, 1951

INVESTIGATION into unauthorized increase in water rates; proceeding dismissed.

Rates, § 48 — Exercise of Commission jurisdiction — Conflicting municipal powers.

A complaint against the action of a water company in increasing rates in

LA. PUB. SERV. COMM. v. PEOPLES WATER SERV. CO.

a town without authority of the Commission should be dismissed, notwithstanding the jurisdiction of the Commission to regulate rates of all utilities which are not publicly owned, when the municipality in which the company operates has, pursuant to constitutional authority, authorized the rate increase.

By the COMMISSION: In this proceeding the Commission directs Peoples Water Service Company, of Louisiana, Incorporated, to show cause why it should not be found in violation of the Commission's rules and regulations in consequence of having increased its water rates in the town of White Castle without authority of the Commission.

The matter was first called for hearing on May 2, 1950, at which time respondent filed exception to the jurisdiction and received, upon its own motion, a continuance. On September 26, 1950, the exception was argued and was taken under advisement pending the filing of briefs, such briefs have been filed and are now before the Commission. At a business meeting held at Baton Rouge on January 26th, the matter came up for final disposition.

The Commission's action is founded upon its constitutional power to regulate the rates of utility companies and specifically upon Act No. 19 of the Second Extra Session of 1934, which provides that the Commission shall have rate jurisdiction over all utilities which are not publicly owned. This act presently appears in the Revised Statutes of Louisiana of 1950 under Title 45:1163-1164. Article VI, § 4, of the Constitution of 1921 provides that this Commission shall have au-

thority to fix reasonable rates for such utilities but § 7 of the same article provides that "Nothing in this article shall affect the powers of supervision, regulation, and control over any . . . local public utility now vested in any town, city, or parish government" unless such local government surrender such powers to the Commission through an election. No such election has been held in White Castle.

It appears that White Castle is a "Lawrason Act" town and had jurisdiction of utility rates within the corporate limits prior to the adoption of the Constitution of 1921. On July 6, 1948, the mayor and board of aldermen of White Castle adopted an ordinance granting to the respondent herein the right to make certain increases in its water rates to the town of White Castle and its inhabitants.

The Commission studied this matter and has taken counsel with the attorney general and has concluded that notwithstanding that Act 19 of 1934, above referred to, clearly confers upon this Commission jurisdiction of the water rates of respondent in White Castle, it would be practically impossible to establish and maintain such jurisdiction in the face of the quoted constitutional provision. It is accordingly

Ordered, that this proceeding be and the same is hereby dismissed.

FEDERAL POWER COMMISSION

Re Northern Natural Gas Company

Docket Nos. G-1382, G-1533, G-1607
April 16, 1951

A PPEAL from ruling of examiner excluding evidence of state-fixed wellhead prices of natural gas as operating cost of natural gas pipeline company; reversed.

Expenses, § 39 — Cost of commodity — Natural gas pipeline company.

Minimum wellhead prices for natural gas, as fixed by a state Commission, may be introduced as evidence of operating costs of a natural gas pipeline company in a rate proceeding before the Federal Power Commission.

By the COMMISSION: Pursuant to an order of the Commission, dated February 9, 1951, the hearing in the above-entitled proceeding was reconvened on March 26, 1951. During this hearing Northern Natural Gas Company (Northern) proffered testimony of valuations of company-produced natural gas which, on objection, was excluded by the presiding examiner. On April 3, 1951, Northern appealed the rulings of the presiding examiner in so far as they concern the exclusion of evidence relating to the attribution by Northern, in accordance with an order of the State Corporation Commission of the state of Kansas, of a wellhead price of 8 cents for natural gas produced by Northern in the Hugoton Field of Kansas.

Upon consideration of the appeal of Northern, the Commission finds that the said rulings of the presiding examiner excluding evidence of an attributed price for Northern's own production, based upon an order of the State Corporation Commission of Kansas, should be reversed, and the appeal therefrom granted.

The Commission orders:

The aforesaid rulings of the presiding examiner be and the same hereby are reversed in so far as such rulings exclude evidence of an attributed price at the wellhead for Northern's own production of natural gas, based upon an order of the State Corporation Commission of Kansas, and the appeal therefrom is granted.

PENNSYLVANIA PUBLIC UTILITY COMMISSION

Lester R. Post

v.

Reading Company

Complaint Docket No. 15128

April 2, 1951

MOTION by railroad to dismiss complaint alleging that parking lot fees collected at station constitute departure from rate structure and that railroad fails to furnish reasonable and adequate facilities in connection with operations; granted.

Rates, § 436 — Parking lot fees at railroad station.

1. A parking lot fee charged by a railroad at a station is not a rate within the contemplation of the Public Utility Law, p. 128.

Service, § 394 — Railroads — Parking facilities at station.

2. A railroad is not required to furnish patrons with all-day parking at stations, free or otherwise, p. 128.

By the COMMISSION: This matter is before us on motion by Reading Company, respondent, to dismiss or strike a complaint filed by Lester R. Post.

The complaint avers in substance that the respondent, by means of a lease, concession, or assignment to a party or parties unknown to complainant, now requires a fee for the parking of automobiles on respondent's property adjacent to the passenger station at Jenkintown, Montgomery county, Pennsylvania. Complainant alleges further that by reason of many years of precedent respondent is obligated to furnish free parking to its patrons on such of its property as is available; that free parking has become part of the rate structure approved by us; and that the withdrawal of the free service of

free parking results in the carrier failing to furnish reasonable and adequate facilities in connection with its operation. Complainant asks to have free parking restored and reimbursement for all parking fees heretofore paid by him.

Reading Company, in its motion to dismiss or strike the complaint, avers that its duties under the Public Utility Law do not include the obligation to furnish automobile parking service and facilities for its patrons; that the parking fee is not a rate charged by it for any service or facility which the Public Utility Law requires it to furnish; that it does not hold itself out in its tariffs as providing an automobile parking lot at its Jenkintown station, and that the complaint fails to show that complainant uses the parking lot in connection

PENNSYLVANIA PUBLIC UTILITY COMMISSION

with intrastate commerce. Respondent avers further that if the complaint is construed as charging abandonment of service, it is insufficient in substance since it fails to set forth any facts evidencing an abandonment of service; that if the complaint is construed as charging respondent with failure to furnish adequate service or facilities under § 401 of the Public Utility Law because of the assessment of a charge for service which was formerly free, the complaint is insufficient in substance since complainant has failed to allege any unreasonableness or inadequacy in the physical characteristics of the automobile parking service or facilities.

Respondent also avers that the complaint is insufficient in form in that it does not comply with Rule 25 which requires specific reference to the section of the statute or particular regulation or order of the Commission involved and in that it violates Rule 26 by including complaints against both rates and service.

Respondent reserves the right to file an answer to the complaint in the event its motion is denied.

[1, 2] Complainant is complaining against the charging of a fee for parking on respondent's property where he was formerly permitted to park free of charge. The parking fee, however, is not a "rate" within the contemplation of the Public Utility Law. Moreover the law does not require a railroad utility to furnish all-day parking, free or otherwise, to its patrons. The complaint, being directed solely against the withdrawal of free parking, must be dismissed for insufficiency of substance and because it would be impossible to grant the relief prayed for. In light of these findings, it becomes unnecessary to consider respondent's objections to the form of the complaint; therefore,

It is *ordered*: That the motion of respondent, Reading Company, to dismiss or strike the complaint be and is hereby granted.



Industrial Progress

A digest of information on new construction by privately managed utilities; similar information relating to government owned utilities; news concerning products, supplies and services offered by manufacturers; also notices of changes in personnel.



Philadelphia Electric to Spend \$320,000,000

PHILADELPHIA ELECTRIC COMPANY plans to spend approximately \$320,000,000 in the next five years to complete its \$500,000,000 post-war expansion program.

The company will add 725,000 kilowatts of capacity in the years 1951 through 1955, according to H. B. Bryans, president.

More than \$286,000,000 will be spent on additions to the company's electric facilities. The remaining \$33,000,000 will go toward improving and expanding gas and steam plants, as well as office and service facilities.

Report Shows Importance of Lighting to Nation's Welfare

A NEW report, prepared as a public service by The National Information Committee on Lighting, summarizing the vital present-day services of illumination in American industrial production, in public safety, in research and education, and in government, has recently been published, it was announced recently by Edmond C. Powers, the committee's executive secretary.

The 24-page report titled, "Lighting and The Nation's Welfare," involved extensive research. It is broken down into five sections: Production Lighting; Office Lighting; Protective Lighting; Public Safety Lighting; and Education Lighting.

The report is available at 15 cents per copy in quantities of 100, and 10 cents per copy in lots of 500 or more. Single copies are available at 25 cents each. Requests should be addressed to the National Information Committee on Lighting, 1410 Terminal Tower, Cleveland, Ohio.

G-E Names Hines Manager Of Utility Sales

DORCEY F. HINES has been appointed manager of utility sales for the General Electric Company's major appliance department.

According to C. W. Theleen, manager of sales for the department, "the appointment re-emphasizes our belief that the electric utilities must continue to take the lead in the introduction and sale of new appliances."

Pointing out that the utilities have always pioneered the merchandising of household appliances, Mr. Theleen said they are needed today to expand the market for what he called "the new Big Six appliances"—dryers,

garbage disposers, dishwashers, automatic washers, ironers, and freezers.

He estimated the total industry sales for these appliances in 1951 as follows: Dryers, 250,000 units; disposers, 250,000; dishwashers, 200,000; automatic washers, 1,250,000; ironers, 300,000; and freezers, 700,000.

This increased acceptance was due in a large measure to the advertising and promotional efforts of the utilities, he said. Mr. Theleen pointed out that these figures are lower than actual sales in 1950 because of government restrictions on the use of materials; but he predicted that eventually the sales of all the Big Six appliances may rival current sales of such established appliances as refrigerators, ranges, and conventional washers.

"The importance of the Big Six appliances to the utilities," Mr. Theleen said, "is apparent when you consider that they use a total of about 120 kilowatt-hours a month."

In his new position, Mr. Theleen explained, Mr. Hines will work closely with the utilities to promote the sale of all major appliances, "but particularly the Big Six."

International Harvester Issues New Catalog

A NEW International TD-9 diesel crawler tractor catalog has just been published by International Harvester Company. A two-color presentation, the catalog contains detailed specifications and information on how the TD-9 develops and applies its 40.5 drawbar horsepower. Several varied job application scenes appear in the publication along with information on construction and operating features. The catalog may be obtained by requesting form CR-313-A.

Leece-Neville Expansion Announced

ACQUISITION of additional manufacturing space for its expanding business has recently been announced by The Leece-Neville Company, makers of automotive electrical

(Continued on Page 34)

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equipment in Cleveland, Ohio. Some 16,000 sq. ft. of new floor space will be devoted to light manufacturing divisions.

Currently some 60 per cent of Leece-Neville business consists of D. O. rated orders, it is stated. In addition to this participation in the defense program, the company has had a substantial increase in its commercial business. Known especially for the L-N AC-DC alternator system, Leece-Neville also makes heavy-duty generators, motors, regulators, and switches. Its replacement heater motor also enjoys increasing popularity.

Thomas & Betts Appointment

GEORGE C. THOMAS, JR., president of the Thomas & Betts Co., Elizabeth, New Jersey, recently announced the appointment of N. J. MacDonald, vice president in charge of sales, to the new post of vice president, in charge of all of the company's operations. The announcement coincided with Mr. MacDonald's 30th Anniversary of his association with the Thomas & Betts Company.

WANTED — Superintendent or Manager for Lowell, Michigan (population 2400) Light and Water Works, having both hydro and diesel generating plants. Graduate electrical engineer preferred but not necessary. Please state qualifications, experience, references and salary expected in first letter. All correspondence will be held in confidence if requested. Reply to W. A. Roth, Chairman, Lowell Light and Power Committee, 202-206 Main Street, Lowell, Michigan.

Gas Industry Launches Gracious Living Campaign

"GRACIOUS LIVING" is the theme of the mid-summer promotional campaign launched recently by the American Gas Association as the coordinated promotional plan for the entire gas industry. Backing the national advertising sponsored by the Association and by manufacturers of gas appliances, two-color portfolios carrying promotion helps and sales suggestions are being supplied to gas utility companies and dealers throughout the nation.

Gas house heating and gas refrigeration are highlighted as offering especially good sales opportunities during the summer months.

Electric Housewares Approves Continuation of Gift Campaign

THE continuation of the electric housewares gift campaign through fall and winter was approved recently by the Electric Housewares Section of the National Electrical Manufacturers Association. Merchandising of the campaign will continue under the direction of Ralf Shockey & Associates, Inc., New York City.

This move marks the second phase of the industry's long-range merchandising and promotional program, aimed at capturing a greater share of the year 'round gift market. Carrying

(Continued on Page 36)

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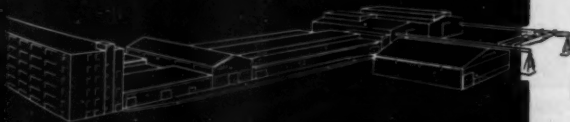
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out the basic theme of the campaign, "Give Electric Housewares—first choice for every gift occasion," the second phase will concentrate on Christmas and other fall and winter gift opportunities.

New Synthetic Rubber Flooring Material

MANY advantages are claimed for a new synthetic rubber flooring material recently marketed by Flash-Stone Company. Most important of these is exceptional strength and long life, high resistance to acids, alkalis, water and other destructive agents, low cost and ease of application. Vulcrete is said to dry to a pleasing light concrete color, bond inseparably without need for preliminary bonding with wood, metal, concrete, brick, slate, stone, asphalt mastic, composition or similar bases and have very high resistance to point loads of considerable weight.

In industrial applications Vulcrete is recommended for leveling and resurfacing all worn, or splintered floors, for flooring cafeterias and other buildings in which complete sanitation is desired, for corrosion resistant lab and work tables and bench tops and other purposes. It is a pronounced sound dampener when used over steel plates, also an unusually versatile maintenance material for general patching, water-proofing, pointing, etc. Details may be obtained from the Flash-Stone Company, Inc., 30 E. Rittenhouse street, Philadelphia 44, Pennsylvania.

Name Miller Sales Head of Gas Group

M. E. MILLER, vice president of the National Steel Construction Company of Indiana, has been appointed sales promotion committee chairman of the Gas Appliance Manufacturers Association's water heater division, it was announced recently by Andrew F. Cassidy, division head.

Mr. Miller succeeds R. A. Bissell of the Bryant Heater Division, Affiliated Gas Equipment, Inc., Cleveland.

Kuljian Moves Washington Office to Larger Quarters

THE KULJIAN CORPORATION, with headquarters in Philadelphia, has moved its Washington offices to larger quarters at 1832 K Street N. W. (Washington 6, D. C.). The telephone number remains the same, District 1989. Increased demands upon the engineering and construction services of The Kuljian Corporation by various government agencies has made it necessary to expand the staff and the office space of the Washington office.

A folder has recently been published, entitled "The Kuljian Corporation and National Defense," giving a résumé of the notable services rendered by the company in the past ten years for the armed forces and various agencies of the United States Government. Copies are available on request.

(Continued on Page 38)

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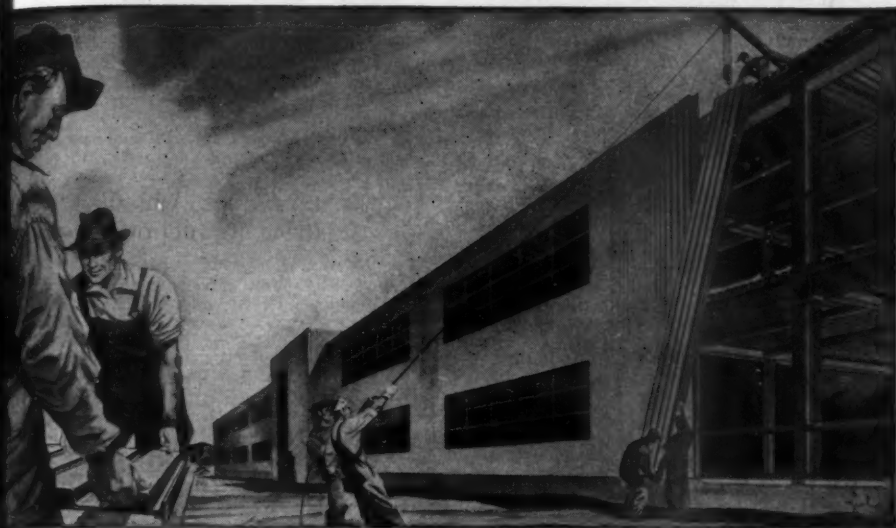
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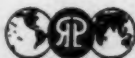
Q-Panels are fabricated from G-albestos, aluminum, stainless steel, galvanized and black steel in lengths up to 25'.

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G-E Operation Manager Named Gas Turbine Division

ALAN HOWARD has been appointed operation manager for the gas turbine division of the General Electric Company's turbine divisions, according to an announcement by G. B. Warren, divisions manager.

In his new post, Mr. Howard will have the responsibility for commercial, engineering, manufacturing, and accounting functions in the gas turbine division.

Subsequently, Mr. Howard announced the appointment of J. P. Keller as assistant operation manager of the division.

Sky Hook Model 51

A NEW truck-mounted, hydraulically operated, extensible tower with full control on the operator's platform at the point of the boom has been announced by C. Gordon Diver, president of Mobile Towers, Inc., Fort Wayne, Indiana.

Named "Sky Hook" Model 51, it requires but one operator—no "ground man." Controls for moving up, down and laterally are at the operator's hand on the boom-point platform rail and provide smooth, precise movement. Hydraulically actuated outriggers provide a safe base on the ground.

The Sky Hook Model 51 has a top working

range of 51 feet 6 inches and moves in a 280° arc around the turntable base. The jointed boom folds over the truck cab to a traveling height of 11 feet on an International L-152 truck. The width is 6 feet 8 inches.

The unit is so designed that it can be mounted on any standard truck chassis with 170-inch wheelbase and similar to the International L-152. Special units with longer or shorter booms can be made, using the same basic design.

Photographs, operating data and specifications are available from the manufacturer.

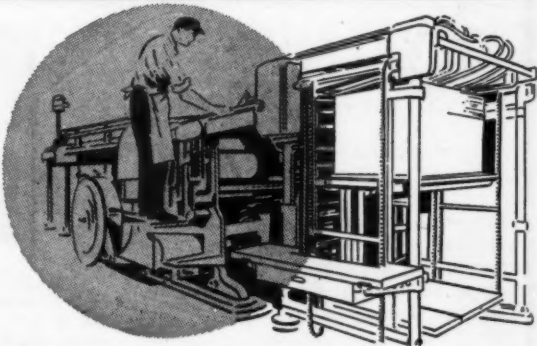
Int. Harvester Announces Price Reductions

INTERNATIONAL HARVESTER announced a reduction in the list prices of its light models of motor truck chassis and attachments, effective June 21st. The downward price adjustment covers the company's L-110, L-120, L-130, L-150, and L-160 model series, or its smallest pickup trucks through those of 16,000-pound rated capacity.

In making the announcement, W. G. Schumacher, general manager of International Harvester's motor truck division, said that the prices of the company's larger models of motor trucks and attachments manufactured at the company's Fort Wayne motor truck plant will remain unchanged.

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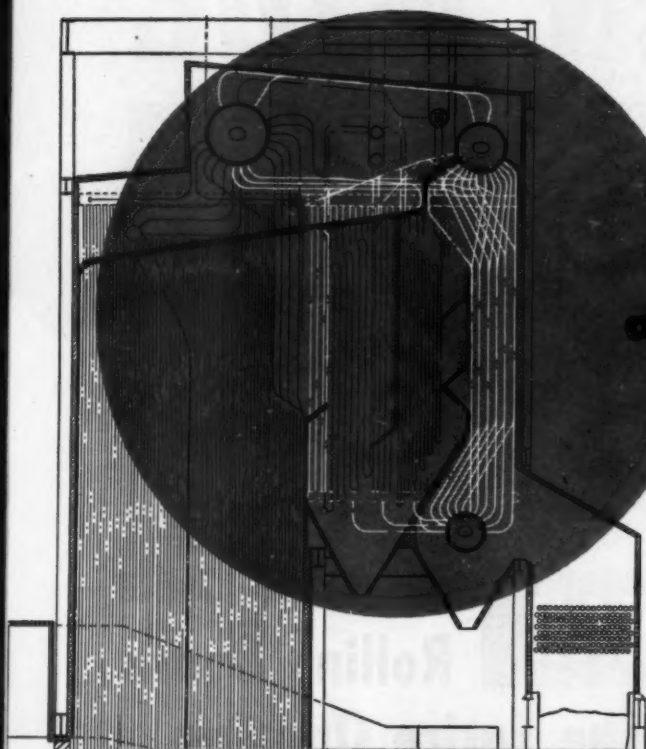
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in the public utility field where make-up normally is relatively low, a midwestern utility recently ordered the three-drum unit shown above. This unit is designed for a capacity of 425,000 lb per hr and will deliver steam at a pressure of 1350 psi and a temperature of 955 F. The low carryover, previously unattainable, will reduce boiler and turbo-generator outages with consequent savings in maintenance costs and gains in operating revenue. The advantages of the Dual Circulation Steam Generator over standard units are illustrated at the right.

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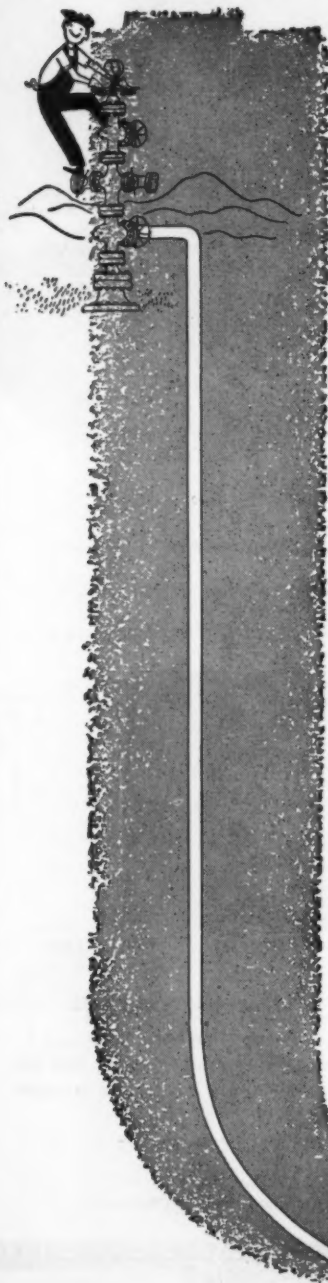
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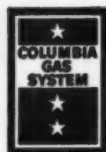
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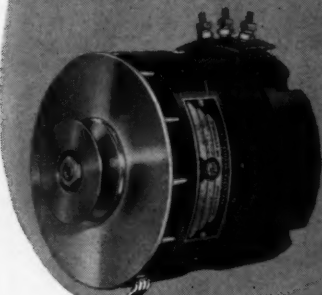
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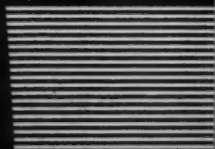
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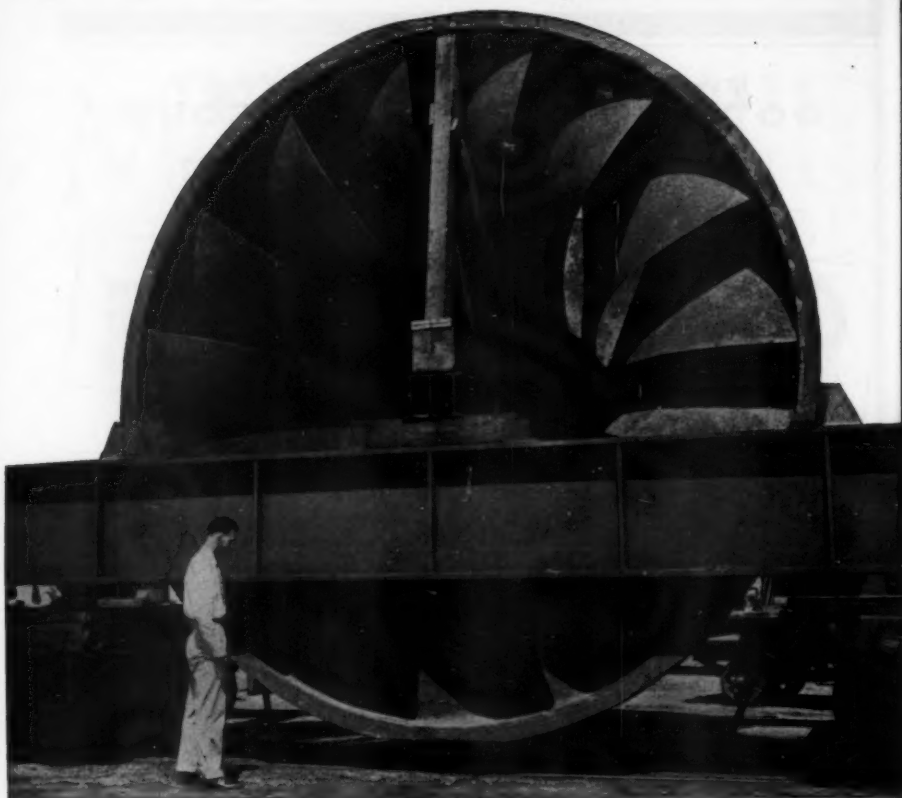
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YOUR BOILER'S APPETITE*

* FOR THE SMALL APPETITE

19,000 to 165,000 lbs. per hour

VERTICAL—TYPE WBF

DISCHARGE PRESSURES: 100 to 2000 PSI

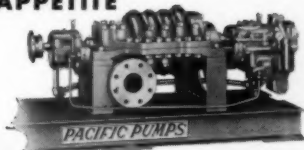


* FOR THE MODERATE APPETITE

45,000 to 475,000 lbs. per hour

TYPE JBF

DISCHARGE PRESSURES: To 1000 PSI

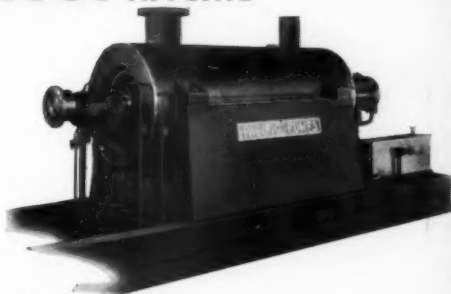


* FOR THE PRODIGIOUS APPETITE

To 1,200,000 lbs. per hour

TYPES ABF and IBF

DISCHARGE PRESSURES: To 3000 PSI



**TAILORED TO YOUR SPECIFIC
BOILER NEEDS PACIFIC
FEED PUMPS ALSO SATISFY:**

YOUR PLANT ENGINEERS... because they require minimum attention and maintenance; because they are precision-built from materials selected for high resistance to corrosion-erosion and because they are balanced dynamically and hydraulically to eliminate vibration and excessive wear.

YOU, THE OWNER... because of their dependability; sustained efficiency and low cost of operation and maintenance.

Write for Bulletin 109

Pacific Pumps inc.

ONE OF THE BRIDGES INDUSTRIES

HUNTINGTON PARK, CALIFORNIA

Export Office: Chanin Bldg., 122 E. 42nd St., New York ★ Offices in All Principal Cities

PACIFIC
Precision Built
PUMPS

How you can use standardized Power Transformers where "specials" seem to be required

... and get up to 5 months faster shipment and 8% lower price

While systems are being modified to conform more closely to EEI-NEMA Preferred Voltages, many transformer applications arise which apparently require special voltages, impedances and tap arrangements. Often, you can meet these requirements with G-E Repetitive Manufacture transformers and, at the same time, obtain attractive savings in both time and money. For example, with RM Transformers...

You can operate at non-standard voltages:

One optional feature of RM transformers provides that the high-voltage rating for each insulation class above 5-kv can be varied over a 20% range. This means, also, that by under-exciting you can obtain *secondary voltages* other than EEI-NEMA Preferred Voltage ratings. There may be some sacrifice in rating, of course—but you will get *more kva per dollar* than with a special transformer.

Example: You have a standard 34.5-kv primary, but want a non-standard low voltage of 2300. Select an optional RM rating of 36-to-2.4 kv. Operate at 34.5 kv. You'll get your 2300 volts.

You pay 1% for the optional voltages. You save 8% in base price. You get much faster delivery.

You can get all taps above or below the actual primary voltage:

With RM transformers, you get two taps above and two below the rated primary voltage. By selecting an optional primary rating, you can get all four taps above (or all below) your actual line voltage.

Example: Your high voltage is 34.4 kv. You want all taps below this. By selecting 32.8 kv for the primary rating, you get taps at 34.4, 33.6, 32.0 and 31.2 kv.

You pay 1% for the optional voltage. You save 8% in base price. You get much faster delivery.

You can parallel transformers with different impedances:

Impedances of RM transformers are fixed 5.5% to 7.0%, depending on high voltage. When this affects division of load when an RM unit is paralleled with an existing transformer, it is as critical as you might think. It seldom results in a serious loss of capacity.

Example: You want to parallel a 34.4-kv RM transformer (impedance, 6%) with an existing unit having an impedance of 7%. Theoretically, division of load is about 52%—48%. Often actual division will be even better than this because of external impedances. At worst, you have less than 4% in capacity. You have saved 8% cost, gotten much faster delivery.

You can parallel Δ -Y with Y- Δ

While in most ratings, RM transformers are available as Δ -Y or Δ - Δ , a Δ -Y RM transformer can almost always be paralleled with an existing Y- Δ unit. In fact there is one advantage: You can ground the high side through the old unit, the low side through the new RM.

You have 20 options available:

These include: optional primary voltages—load ratio-control—bushing current transformers—fans or provisions for future fans—junction boxes, and many others. RM (Repetitive Manufacture) power transformers are available in ratings up to 5000 kva single-phase and 10,000 kva three-phase. The ratings cover all EEI-NEMA Preferred Voltages—high and low—to 69 kv.

Let us help you apply RM transformers. For additional information call your nearest General Electric representative or write for Bulletin GEC-4 General Electric Co., Schenectady, N. Y.

401-21E

GENERAL  ELECTRIC